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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_

Commission file number: 0-52577

**FUTUREFUEL CORP.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**20-3340900**

(IRS Employer Identification No.)

**8235 Forsyth Blvd., Suite 400**

**St. Louis, Missouri 63105**

(Address of Principal Executive Offices)

**(314) 854-8520**

(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of August 14, 2008: 26,800,000

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

**PART I  
FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

The following sets forth our unaudited consolidated balance sheet as at June 30, 2008 and our audited consolidated balance sheet as at December 31, 2007, the unaudited consolidated statements of operations and comprehensive income for the three- and six-month periods ended June 30, 2008 and June 30, 2007, and the unaudited consolidated statements of cash flow for the six-month periods ended June 30, 2008 and June 30, 2007.

**FutureFuel Corp.  
Consolidated Balance Sheets  
As at June 30, 2008 and December 31, 2007  
(Dollars in thousands)**

	(Unaudited) June 30, 2008	December 31, 2007
<b>Assets</b>		
Cash and cash equivalents	\$ 1,584	\$ 54,655
Accounts receivable, net of allowances for doubtful accounts of \$42 at June 30, 2008 and December 31, 2007	22,888	17,514
Inventory	26,302	24,192
Income taxes receivable	304	-
Prepaid expenses	667	1,200
Marketable debt and auction rate securities	69,333	15,086
Other current assets	1,060	541
<b>Total current assets</b>	<b>122,138</b>	<b>113,188</b>
Property, plant and equipment, net	100,973	95,036
Restricted cash and cash equivalents	3,341	3,263
Intangible assets	378	435
Other assets	3,246	4,191
<b>Total noncurrent assets</b>	<b>107,938</b>	<b>102,925</b>
<b>Total Assets</b>	<b>\$ 230,076</b>	<b>\$ 216,113</b>
<b>Liabilities and Stockholders' Equity</b>		
Accounts payable	\$ 12,408	\$ 12,622
Accounts payable – related parties	230	121
Income taxes payable	-	1,231
Current deferred income tax liability	4,378	4,597
Short term contingent consideration	657	197
Accrued expenses and other current liabilities	3,632	3,370
<b>Total current liabilities</b>	<b>21,305</b>	<b>22,138</b>
Long term contingent consideration	1,413	1,989
Deferred revenue	6,749	1,571
Other noncurrent liabilities	1,204	1,126
Noncurrent deferred income tax liability	20,354	19,667
<b>Total noncurrent liabilities</b>	<b>29,720</b>	<b>24,353</b>
<b>Total Liabilities</b>	<b>51,025</b>	<b>46,491</b>
Commitments and contingencies		
Preferred stock, \$0.0001 par value, 5,000,000 shares authorized, none issued and outstanding	-	-
Common stock, \$0.0001 par value, 75,000,000 shares authorized, 26,700,000 issued and outstanding at June 30, 2008 and 26,700,000 issued and outstanding at December 31, 2007	3	3
Accumulated other comprehensive income	87	58
Additional paid in capital	158,763	158,436
Retained earnings	20,198	11,125
<b>Total stockholders' equity</b>	<b>179,051</b>	<b>169,622</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 230,076</b>	<b>\$ 216,113</b>

The accompanying notes are an integral part of these financial statements.

**FutureFuel Corp.**  
**Consolidated Statements of Operations and Comprehensive Income**  
**For the Three Months Ended June 30, 2008 and 2007**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	<b>Three Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
Revenues	\$ 49,896	\$ 41,580
Revenues – related parties	-	40
Cost of goods sold	43,720	35,491
Cost of goods sold – related parties	846	83
Distribution	879	464
Gross profit	<u>4,451</u>	<u>5,582</u>
Selling, general and administrative expenses		
Compensation expense	890	444
Formation expense	-	74
Other expense	249	251
Related party expense	66	53
Research and development expenses	1,008	678
	<u>2,213</u>	<u>1,500</u>
Income from operations	<u>2,238</u>	<u>4,082</u>
Interest income	846	877
Interest expense	(5)	(8)
Gain on foreign currency	511	5
Gain on sale of marketable debt securities	83	-
Other expense	-	(68)
	<u>1,435</u>	<u>806</u>
Income before income taxes	3,673	4,888
Provision for income taxes	760	1,981
Net income	<u>\$ 2,913</u>	<u>\$ 2,907</u>
Earnings per common share		
Basic	\$ 0.11	\$ 0.11
Diluted	\$ 0.11	\$ 0.09
Weighted average shares outstanding		
Basic	26,700,000	26,700,000
Diluted	26,735,387	32,045,246
<b>Comprehensive Income</b>		
Net income	\$ 2,913	\$ 2,907
Other comprehensive loss, net of tax benefit of \$14 in 2008	(24)	-
Comprehensive income	<u>\$ 2,889</u>	<u>\$ 2,907</u>

The accompanying notes are an integral part of these financial statements.

**FutureFuel Corp.**  
**Consolidated Statements of Operations and Comprehensive Income**  
**For the Six Months Ended June 30, 2008 and 2007**  
(Dollars in thousands, except per share amounts)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
Revenues	\$ 93,116	\$ 79,087
Revenues – related parties	-	40
Cost of goods sold	74,933	75,150
Cost of goods sold – related parties	1,582	83
Distribution	1,568	760
Gross profit	<u>15,033</u>	<u>3,134</u>
Selling, general and administrative expenses		
Compensation expense	1,328	761
Formation expense	-	74
Other expense	553	705
Related party expense	104	83
Research and development expenses	1,964	1,669
	<u>3,949</u>	<u>3,292</u>
Income (loss) from operations	11,084	(158)
Interest income	1,616	1,819
Interest expense	(11)	(13)
Gain on foreign currency	381	5
Gain on sale of marketable debt securities	83	-
Other income (expense)	6	(68)
	<u>2,075</u>	<u>1,743</u>
Income before income taxes	13,159	1,585
Provision for income taxes	4,086	718
Net income	<u>\$ 9,073</u>	<u>\$ 867</u>
<b>Earnings per common share</b>		
Basic	\$ 0.34	\$ 0.03
Diluted	\$ 0.34	\$ 0.03
<b>Weighted average shares outstanding</b>		
Basic	26,700,000	26,700,000
Diluted	26,717,693	32,037,968
<b>Comprehensive Income</b>		
Net income	\$ 9,073	\$ 867
Other comprehensive income, net of tax of \$18 in 2008	29	-
Comprehensive income	<u>\$ 9,102</u>	<u>\$ 867</u>

The accompanying notes are an integral part of these financial statements.

**FutureFuel Corp.**  
**Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2008 and 2007**  
(Dollars in thousands)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2008</b>	<b>2007</b>
Cash flows provide by operating activities		
Net income	\$ 9,073	\$ 867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	2,743	2,127
Provision for deferred income taxes	461	349
Change in fair value of derivative instruments	274	946
Accretion of the discount of marketable debt securities	(90)	-
Losses on disposals of fixed assets	10	112
Stock based compensation	327	-
Noncash interest expense	11	11
Changes in operating assets and liabilities:		
Accounts receivable	(5,374)	2,565
Inventory	(2,866)	1,508
Income taxes receivable	(304)	(853)
Prepaid expenses	533	661
Accrued interest on marketable debt securities	(296)	-
Other assets	945	(305)
Accounts payable	(214)	1,623
Accounts payable – related parties	109	68
Income taxes payable	(1,231)	(1,916)
Accrued expenses and other current liabilities	262	423
Accrued expenses and other current liabilities – related parties	-	(40)
Deferred revenue	5,178	-
Other noncurrent liabilities	56	190
Net cash provided by operating activities	<u>9,607</u>	<u>8,336</u>
Cash flows used in investing activities		
Restricted cash	(78)	(74)
Collateralization of derivative instruments	(793)	1,444
Purchase of marketable securities	(24,992)	-
Proceeds from the sale of marketable securities	30,080	-
Purchase of auction rate securities, net	(58,900)	-
Proceeds from the sale of fixed assets	8	-
Contingent purchase price payment	(117)	(59)
Capital expenditures	(7,886)	(9,806)
Net cash used in investing activities	<u>(62,678)</u>	<u>(8,495)</u>
Cash flows used in financing activities		
Financing fee	-	(50)
Net cash used in financing activities	<u>-</u>	<u>(50)</u>
Net change in cash and cash equivalents	(53,071)	(209)
Cash and cash equivalents at beginning of period	54,655	63,129
Cash and cash equivalents at end of period	<u>\$ 1,584</u>	<u>\$ 62,920</u>
Cash paid for interest	\$ -	\$ 3
Cash paid for taxes	<u>\$ 5,103</u>	<u>\$ 2,992</u>

The accompanying notes are an integral part of these financial statements.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

1) Nature of operations and basis of presentation

*FutureFuel Corp.*

Viceroy Acquisition Corporation (“Viceroy”) was incorporated under the laws of the state of Delaware on August 12, 2005 to serve as a vehicle for the acquisition by way of asset acquisition, merger, capital stock exchange, share purchase or similar transaction of one or more operating businesses in the oil and gas industry. On July 12, 2006 Viceroy completed an equity offering.

On July 21, 2006, Viceroy entered into an acquisition agreement with Eastman Chemical Company (“Eastman Chemical”) to purchase all of the issued and outstanding stock of Eastman SE, Inc. (“Eastman SE”). On October 27, 2006, a special meeting of the shareholders of Viceroy was held and the acquisition of Eastman SE was approved by the shareholders. On October 31, 2006, Viceroy acquired all of the issued and outstanding shares of Eastman SE from Eastman Chemical. Immediately subsequent to the acquisition, Viceroy changed its name to FutureFuel Corp. (“FutureFuel”) and Eastman SE changed its name to FutureFuel Chemical Company (“FutureFuel Chemical”).

*Eastman SE, Inc.*

Eastman SE was incorporated under the laws of the state of Delaware on September 1, 2005 and subsequent thereto operated as a wholly-owned subsidiary of Eastman Chemical through October 31, 2006. Eastman SE was incorporated for purposes of effecting a sale of Eastman Chemical’s manufacturing facility in Batesville, Arkansas (the “Batesville Plant”). Commencing January 1, 2006, Eastman Chemical began transferring the assets associated with the business of the Batesville Plant to Eastman SE.

The Batesville Plant was constructed to produce proprietary photographic chemicals for Eastman Kodak Company (“Eastman Kodak”). Over the years, Eastman Kodak shifted the plant’s focus away from the photographic imaging business to the custom synthesis of fine chemicals and organic chemical intermediates used in a variety of end markets, including paints and coatings, plastics and polymers, pharmaceuticals, food supplements, household detergents and agricultural products.

In 2005, the Batesville Plant began the implementation of a biobased products platform. This includes the production of biofuels (biodiesel, bioethanol and lignin/biomass solid fuels) and biobased specialty chemical products (biobased solvents, chemicals and intermediates). In addition to biobased products, the Batesville Plant continues to manufacture fine chemicals and other organic chemicals.

The accompanying consolidated financial statements have been prepared by FutureFuel in accordance and consistent with the accounting policies stated in FutureFuel’s 2007 audited consolidated financial statements and should be read in conjunction with the 2007 audited consolidated financial statements of FutureFuel. Certain prior year balances have been reclassified to conform with the current year presentation.

In the opinion of FutureFuel, all normal recurring adjustments necessary for a fair presentation have been included in the unaudited consolidated financial statements. The unaudited consolidated financial statements are presented in conformity with generally accepted accounting principles in the United States and, of necessity, include some amounts that are based upon management estimates and judgments. Future actual results could differ from such current estimates. The unaudited consolidated financial statements include assets, liabilities, revenues and expenses of FutureFuel and its wholly owned subsidiary, FutureFuel Chemical. Intercompany transactions and balances have been eliminated in consolidation.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

2) Inventories

The carrying values of inventory were as follows as of:

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
At first-in, first-out or average cost (approximates current cost)		
Finished goods	\$ 11,059	\$ 8,993
Work in process	1,546	1,091
Raw materials and supplies	16,701	15,670
	<u>29,306</u>	<u>25,754</u>
LIFO reserve	(3,004)	(1,562)
Total inventories	<u>\$ 26,302</u>	<u>\$ 24,192</u>

3) Derivative instruments

The volumes and carrying values of FutureFuel's derivative instruments were as follows at:

	<b>Asset/(Liability)</b>			
	<b>June 30, 2008</b>		<b>December 31, 2007</b>	
	<b>Quantity (Contracts) Long/ (Short)</b>	<b>Fair Market Value</b>	<b>Quantity (Contracts) Long/ (Short)</b>	<b>Fair Market Value</b>
Regulated options, included in prepaid expenses and other current assets	(125)	\$ (521)	(100)	\$ (247)

The margin account maintained with a broker to collateralize these derivative instruments carried an account balance of \$1,581 and \$788 at June 30, 2008 and December 31, 2007, respectively, and is classified as other current assets in the consolidated balance sheet. The carrying values of the margin account and of the derivative instruments are included in other current assets and comprise the entire account balance.

4) Marketable debt securities

FutureFuel has made investments in treasury bonds of a certain foreign government. As of June 30, 2008, these marketable debt securities have a maturity date of September 12, 2008. FutureFuel has classified these marketable debt securities as current assets in the accompanying consolidated balance sheet. FutureFuel has designated these securities as being available-for-sale. Accordingly, these securities are carried at fair value, with the unrealized gains and losses, net of taxes, reported as a component of stockholders' equity.

The fair market value of these marketable debt securities, including accrued interest, totaled \$10,349 at June 30, 2008. No such investments were held at December 31, 2007.

At December 31, 2007, FutureFuel had investments in certain U.S. treasury bills and notes. These investments either matured or were sold during the six months ended June 30, 2008. A realized gain of \$83 was recognized by FutureFuel on the sale of these securities.

Additionally, FutureFuel has made investments in certain auction rate securities. As of June 30, 2008, these securities had maturities ranging from August 2016 to November 2047. FutureFuel has classified these instruments as current assets in the accompanying consolidated balance sheet as the issuers of these instruments have either exercised their right to repurchase these instruments or a liquid market still exists for these securities, which allows FutureFuel to exit these positions within a short period of time. FutureFuel anticipates these securities either being sold or repurchased within the next year. Therefore, regardless of their maturity dates, FutureFuel has classified these investments as current. FutureFuel has

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

designated these securities as being available-for-sale. Accordingly, these securities are carried at fair value, with unrealized gains and losses, net of taxes, reported as a component of stockholders' equity. No realized gains or losses have been incurred related to these securities through June 30, 2008.

The fair market value of these auction rate securities approximated their par value and, including accrued interest, totaled \$58,984 at June 30, 2008. No auction rate securities were held by FutureFuel at December 31, 2007.

5) Accrued expenses and other current liabilities

Accrued expenses and other current liabilities, including those associated with related parties, consisted of the following at:

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
Accrued employee liabilities	\$ 2,170	\$ 1,722
Accrued property, use and franchise taxes	1,396	1,110
Accrued professional fees	30	30
Other	36	508
Total	<u>\$ 3,632</u>	<u>\$ 3,370</u>

6) Borrowings

In March 2007 FutureFuel Chemical entered into a \$50 million credit agreement with a commercial bank. The loan is a revolving facility the proceeds of which may be used for working capital, capital expenditures and the general corporate purposes of FutureFuel Chemical. The facility terminates in March 2010. Advances are made pursuant to a borrowing base comprised of 85% of eligible accounts plus 60% of eligible direct inventory plus 50% of eligible indirect inventory. Advances are secured by a perfected first priority security interest in accounts receivable and inventory. The interest rate floats at certain margins over the London Interbank Offered Rate ("LIBOR") or base rate based upon the leverage ratio from time to time as set forth in the following table.

<b>Leverage Ratio</b>	<b>Base Rate Margin</b>	<b>LIBOR Margin</b>
> 3	-0.55%	1.70%
≥ 2 < 3	-0.70%	1.55%
≥ 1 < 2	-0.85%	1.40%
< 1	-1.00%	1.25%

There is an unused commitment fee of 0.25% per annum. Beginning December 31, 2007, and on the last day of each fiscal quarter thereafter, the ratio of EBITDA to fixed charges may not be less than 1.5:1. Beginning June 30, 2007, the ratio of total funded debt to EBITDA may not exceed 3.50:1, reduced to 3.25:1 at March 31, 2008, June 30, 2008 and September 30, 2008, and then 3:1 thereafter. FutureFuel has guaranteed FutureFuel Chemical's obligations under this credit agreement.

As June 30, 2008, no borrowings were outstanding under this credit facility.

7) Stock based compensation

The board of directors of FutureFuel adopted an omnibus incentive plan which was approved by the shareholders of FutureFuel at its 2007 annual shareholder meeting on June 26, 2007. The purpose of the plan is to:

- Encourage ownership in FutureFuel by key personnel whose long-term employment with or engagement by FutureFuel or its subsidiaries is considered essential to its continued progress and, thereby, encourage recipients to act in FutureFuel's shareholders' interests and share in its success;



**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

- Encourage such persons to remain in FutureFuel’s employ or in the employ of its subsidiaries; and
- Provide incentives to persons who are not FutureFuel employees to promote FutureFuel’s success.

The plan authorizes FutureFuel to issue stock options (including incentive stock options and nonqualified stock options), stock awards and stock appreciation rights. Eligible participants in the plan include: (i) members of FutureFuel’s board of directors and its executive officers; (ii) regular, active employees of FutureFuel and any of its subsidiaries; and (iii) persons engaged by FutureFuel or any of its subsidiaries to render services to FutureFuel or its subsidiaries as an advisor or consultant.

Awards under the plan are limited to shares of FutureFuel’s common stock, which may be shares acquired by FutureFuel, including shares purchased in the open market, or authorized but un-issued shares. Awards will be limited to 10% of the issued and outstanding shares of FutureFuel’s common stock in the aggregate.

The plan became effective upon its approval by FutureFuel’s shareholders on June 26, 2007 and continues in effect for a term of ten years thereafter unless amended and extended by FutureFuel or unless otherwise terminated.

FutureFuel has adopted Statement of Financial Accounting Standards No. 123 (Revised 2004), *Share-Based Payment* (“SFAS No. 123(R)”) and related interpretations and began recognizing compensation expense in its financial statements for stock based options based upon the grant-date fair value over the requisite service period.

In April 2008, FutureFuel granted a total of 250,000 stock options to members of its board of directors (“Director Options”). Additionally, it granted a total of 55,000 stock options to selected members of its management (“Management Options”). The options awarded have an exercise price equal to the average of the bid and ask price of FutureFuel’s common stock on the date of grant as established in private sales, which the board of directors determined to be the fair market value of such stock on that date. The Director Options vested immediately upon grant. One third of the Management Options vest on each of the annual anniversary dates of the grant. Both the Director Options and the Management Options expire on April 7, 2013. FutureFuel has utilized the Black Scholes Merton option pricing model, which relies on certain assumptions, to estimate the fair value of the options it granted.

The assumptions used in the determination of the fair value of the options granted in April 2008 are provided in the following table:

<b>Assumptions</b>	<b>Director Options</b>	<b>Management Options</b>
Expected volatility rate	46.78%	48.74%
Expected dividend yield	0.00%	0.00%
Risk-free interest rate	2.03%	2.26%
Expected forfeiture rate	0.00%	0.00%
Expected term in years	2.50	3.50

The volatility rate for the options granted is derived from the historical stock price volatility of a peer group of companies over the same time period as the expected term of each stock option award. The volatility rate is derived by a mathematical formula utilizing the daily closing stock price data over the expected term. It is FutureFuel’s expectation that volatility rates for future stock option grants will be based on FutureFuel’s historical stock price volatility as FutureFuel develops a lengthier stock trading history.

The expected dividend yield is calculated using FutureFuel’s expected dividend amount over the expected term divided by the fair market value of FutureFuel’s common stock.

The risk-free interest rate is derived from the United States Federal Reserve’s published interest rates of daily yields for the same time period as the expected term.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

SFAS No. 123(R) specifies that only share-based awards expected to vest are to be included in share-based compensation expense. The estimated forfeiture rates are based upon FutureFuel's expected rate of forfeiture and are excluded from the quantity of awards included in share-based compensation expense.

FutureFuel has not historically granted stock options and therefore does not have a historical record of share-based award transactions on which to base an estimate of expected term. FutureFuel has therefore elected to utilize the "simplified" method of estimating expected term as discussed in Staff Accounting Bulletins No. 107 and No. 110.

For the three and six month periods ended June 30, 2008 total share-based compensation expense (before tax) totaled \$327. \$324, \$2 and \$1 of this balance was recorded as an element of selling, general and administrative expense, cost of goods sold and research and development expense, respectively.

A summary of the activity of FutureFuel's stock option awards for 2008 is presented below:

	<b>Options</b>	<b>Weighted-Average Exercise Price</b>
Outstanding at January 1, 2008	-	-
Granted	305,000	\$ 4.00
Exercised	-	-
Cancelled, forfeited or expired	-	-
Outstanding at June 30, 2008	<u>305,000</u>	<u>\$ 4.00</u>
Weighted average remaining contractual life	4.77 years	
Options exercisable at June 30, 2008	250,000	\$ 4.00
Weighted average fair value of the options granted	n/a	\$ 1.31
Available for grant at June 30, 2008	2,365,000	n/a

The following table provides the remaining contractual term and weighted average exercise prices of stock options outstanding and exercisable at June 30, 2008:

<b>Exercise Price</b>	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Number Outstanding at June 30, 2008</b>	<b>Weighted-Average Remaining Contractual Life</b>	<b>Weighted-Average Exercise Price</b>	<b>Number Exercisable at June 30, 2008</b>	<b>Weighted-Average Exercise Price</b>
\$ 4.00	305,000	4.77 years	\$ 4.00	250,000	\$ 4.00

The weighted average remaining contractual life of all exercisable options is 4.77 years.

The aggregate intrinsic values of total options outstanding and total options exercisable at June 30, 2008 are \$320 and \$263, respectively. Intrinsic value is the amount by which the last trade price of the common stock closest to June 30, 2008 exceeded the exercise price of the options granted.

For options unvested at June 30, 2008, approximately \$74 in compensation expense will be recognized over the next 3.27 years.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

8) Provision for income taxes

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Provision for income taxes	\$ 760	\$ 1,981	\$ 4,086	\$ 718
Effective tax rate	20.7%	40.5%	31.1%	45.3%

The effective tax rates for the three and six months ended June 30, 2008 and 2007 reflect FutureFuel's expected tax rate on reported operating earnings before income tax.

FutureFuel's unrecognized tax benefits, recorded as an element of other noncurrent liabilities, totaled \$627 and \$559 at June 30, 2008 and December 31, 2007, respectively, the total amount of which, if recognized, would reduce FutureFuel's effective tax rate.

FutureFuel does not expect its unrecognized tax benefits to change significantly over the next 12 months.

FutureFuel records interest and penalties net as a component of income tax expense. FutureFuel had accrued a balance of \$68 and \$0 at June 30, 2008 and December 31, 2007, respectively, for interest or tax penalties.

FutureFuel and its subsidiary, FutureFuel Chemical, file tax returns in the U.S. federal jurisdiction and with various state jurisdictions. FutureFuel was incorporated in 2005 and is subject to U.S., state and local examinations by tax authorities from 2005 forward. FutureFuel Chemical is subject to the effects of tax examinations that may impact the carry-over basis of its assets and liabilities.

9) Earnings per share

The computation of basic and diluted earnings per common share was as follows:

	<b>For the three months ended June 30,</b>		<b>For the six months ended June 30,</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net income available to common stockholders	\$ 2,913	\$ 2,907	\$ 9,073	\$ 867
Weighted average number of common shares outstanding	26,700,000	26,700,000	26,700,000	26,700,000
Effect of warrants	-	5,345,246	-	5,337,968
Effect of stock options	35,387	-	17,673	-
Weighted average diluted number of common shares outstanding	26,735,387	32,045,246	26,717,673	32,037,968
Basic earnings per share	\$ 0.11	\$ 0.11	\$ 0.34	\$ 0.03
Diluted earnings per share	\$ 0.11	\$ 0.09	\$ 0.34	\$ 0.03

Warrants to purchase 22,500,000 shares of FutureFuel's common stock were not included in the computation of diluted earnings per share for the three and six month periods ended June 30, 2008 as they were anti-dilutive in both periods.

10) Segment information

FutureFuel has determined that it has two reportable segments organized along product lines – chemicals and biofuels.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

*Chemicals*

FutureFuel's chemicals segment manufactures diversified chemical products that are sold externally to third party customers. This segment comprises two components: "custom manufacturing" (manufacturing chemicals for specific customers); and "performance chemicals" (multi-customer specialty chemicals).

*Biofuels*

FutureFuel's biofuels business segment manufactures and markets biodiesel. Biodiesel revenues are generally derived in one of two ways. Revenues are generated under tolling agreements whereby customers supply key biodiesel feed stocks which FutureFuel then converts into biodiesel at the Batesville Plant in exchange for a fixed price processing charge per gallon of biodiesel produced. Revenues are also generated through the production and sale of biodiesel to customers through FutureFuel's distribution network at the Batesville Plant and through distribution facilities available at a leased oil storage facility near Little Rock, Arkansas at negotiated prices.

*Summary of long-lived assets and revenues by geographic area*

All of FutureFuel's long-lived assets are located in the U.S.

Most of FutureFuel's sales are transacted with title passing at the time of shipment from the Batesville Plant, although some sales are transacted based on title passing at the delivery point. While many of FutureFuel's chemicals are utilized to manufacture products that are shipped, further processed and/or consumed throughout the world, the chemical products, with limited exceptions, generally leave the United States only after ownership has transferred from FutureFuel to the customer. Rarely is FutureFuel the exporter of record, never is FutureFuel the importer of record into foreign countries and FutureFuel is not always aware of the exact quantities of its products that are moved into foreign markets by its customers. FutureFuel does track the addresses of its customers for invoicing purposes and uses this address to determine whether a particular sale is within or without the United States. FutureFuel's revenues for the three months ended June 30, 2008 and 2007 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows:

<b>Three Months Ended</b>	<b>United States</b>	<b>All Foreign Countries</b>	<b>Total</b>
June 30, 2008	\$ 42,260	\$ 7,636	\$ 49,896
June 30, 2007	\$ 35,882	\$ 5,739	\$ 41,620

FutureFuel's revenues for the six months ended June 30, 2008 and 2007 attributable to the United States and foreign countries (based upon the billing addresses of its customers) were as follows:

<b>Six Months Ended</b>	<b>United States</b>	<b>All Foreign Countries</b>	<b>Total</b>
June 30, 2008	\$ 78,665	\$ 14,451	\$ 93,116
June 30, 2007	\$ 68,182	\$ 10,945	\$ 79,127

For the three months ended June 30, 2008 and 2007, revenues from Mexico accounted for 11% and 9%, respectively, of total revenues. For the six months ended June 30, 2008 and 2007, revenues from Mexico accounted for 11% and 11%, respectively, of total revenues. Beginning in the third quarter of 2007, FutureFuel Chemical Company began selling significant quantities of biodiesel to companies in Canada, at which time revenues from Canada became a material component of total revenues. Revenues from Canada accounted for 4% of total revenues for the three- and six-month periods ended June 30, 2008. Other than Mexico and Canada, revenues from a single foreign country during the three and six months ended June 30, 2008 and 2007 did not exceed 2% of total revenues.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

*Summary of business by segment*

	For the three months ended June 30,		For the six months ended June 30,	
	2008	2007	2008	2007
Revenues				
Chemicals	\$ 33,980	\$ 34,414	\$ 72,696	\$ 70,069
Biofuels	15,916	7,206	20,420	9,058
Revenues	<u>\$ 49,896</u>	<u>\$ 41,620</u>	<u>\$ 93,116</u>	<u>\$ 79,127</u>
Segment gross margins				
Chemicals	\$ 6,997	\$ 5,274	\$ 15,437	\$ 10,721
Biofuels	(2,546)	308	(404)	(7,587)
Segment gross margins	4,451	5,582	15,033	3,134
Corporate expenses	(2,213)	(1,500)	(3,949)	(3,292)
Income (loss) before interest and taxes	2,238	4,082	11,084	(158)
Interest and other income	1,440	882	2,086	1,824
Interest and other expense	(5)	(76)	(11)	(81)
Provision for income taxes	(760)	(1,981)	(4,086)	(718)
Net income (loss)	<u>\$ 2,913</u>	<u>\$ 2,907</u>	<u>\$ 9,073</u>	<u>\$ 867</u>

Depreciation is allocated to segment costs of goods sold based on plant usage. The total assets and capital expenditures of FutureFuel have not been allocated to individual segments as large portions of these assets are shared to varying degrees by each segment, causing such an allocation to be of little value.

Gross margin for the biodiesel segment for the six months ended June 30, 2008 was favorably impacted by the receipt of \$2,000 from the State of Arkansas resulting from our biodiesel operating cost grant application under the Arkansas Alternative Fuels Development Program. This funding was attributable to our biodiesel production between January 1, 2007 and December 31, 2007 and was calculated as \$0.20 per gallon of biodiesel produced, capped at \$2,000. Based on the characteristics of the Arkansas Alternative Fuels Development Program and the State funding behind this program, we recognize income in the period funding is received.

11) Fair value measurements

FutureFuel adopted Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements*, effective January 1, 2008. Under SFAS No. 157, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. SFAS No. 157 also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of FutureFuel. Unobservable inputs are inputs that reflect FutureFuel's assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy is broken down into three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**Notes to Consolidated Financial Statements of FutureFuel Corp.**  
**(Dollars in thousands, except per share amounts)**  
**(Unaudited)**

The following table provides information by level for assets and liabilities that are measured at fair value, as defined by SFAS No. 157, on a recurring basis.

<b>Description</b>	<b>Asset/(Liability)</b>			
	<b>Fair Value at June 30, 2008</b>	<b>Fair Value Measurements Using Inputs Considered as</b>		
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Available for sale:				
Treasury bonds of a certain foreign government	\$ 10,349	\$ 10,349	\$ -	\$ -
Auction rate securities	\$ 58,984	\$ -	\$ 58,984	\$ -
Derivative instruments	\$ (521)	\$ (521)	\$ -	\$ -

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our consolidated financial statements, including the notes thereto, set forth herein. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements. See "Forward Looking Information" below for additional discussion regarding risks associated with forward-looking statements.

### *Results of Operations*

#### *In General*

FutureFuel Chemical Company's historical revenues have been generated through the sale of specialty chemicals. FutureFuel Chemical Company breaks its chemicals business into two main product groups: custom manufacturing and performance chemicals. Major products in the custom manufacturing group include: (i) nonanoyloxybenzenesulfonate, a bleach activator manufactured exclusively for The Procter & Gamble Company for use in a household detergent; (ii) a proprietary herbicide (and intermediates) manufactured exclusively for Arysta LifeScience North America Corporation, a major life sciences company; and (iii) two other product lines (CPOs and DIPBs) produced under conversion contracts for Eastman Chemical Company. The major product line in the performance chemicals group is SSIPA/LiSIPA, polymer modifiers that aid the properties of nylon manufactured for a broad customer base. There are a number of additional small volume custom and performance chemical products that FutureFuel Chemical Company groups into "other products". In late 2005, FutureFuel Chemical Company began producing biodiesel as a product. Beginning in 2006, revenues and cost of goods sold for biofuels were treated as a separate business segment.

Revenues generated from the bleach activator are based on a supply agreement with the customer. The supply agreement stipulates selling price per kilogram based on volume sold, with price moving up as volumes move down, and vice-versa. The current contract expires in March 2013. FutureFuel Chemical Company pays for raw materials required to produce the bleach activator. The contract with the customer provides that the price received by FutureFuel Chemical Company for the bleach activator is indexed to changes in certain items, enabling FutureFuel Chemical Company to pass along most inflationary increases in production costs to the customer.

FutureFuel Chemical Company has been the exclusive manufacturer for its customer of a proprietary herbicide and certain intermediates. These products are beginning to face some generic competition, and no assurances can be given that FutureFuel Chemical Company will remain the exclusive manufacturer for this product line. The contracts automatically renew for successive one-year periods, subject to the right of either party to terminate the contract not later than 270 days prior to the end of the then current term for the herbicide and not later than 18 months prior to the then current term for the intermediates. No assurances can be given that these contracts will not be terminated. The customer supplies most of the key raw materials for production of the proprietary herbicide. There is no pricing mechanism or specific protection against cost changes for raw materials or conversion costs that FutureFuel Chemical Company is responsible for purchasing and/or providing.

CPOs are chemical intermediates that promote adhesion for plastic coatings and DIPBs are intermediates for production of Eastman Chemical Company products used as general purpose inhibitors, intermediates or antioxidants. As part of our acquisition of FutureFuel Chemical Company, FutureFuel Chemical Company entered into conversion agreements with Eastman Chemical Company that effectively provide a conversion fee to FutureFuel Chemical Company for DIPB based on volume manufactured, with a minimum annual fee for both products. In addition, the conversion agreements provide for revenue adjustments for actual price of raw materials purchased by FutureFuel Chemical Company at standard usages. Eastman Chemical Company provides key raw materials at no cost. For the key raw materials, usage over standard is owed Eastman Chemical Company; likewise, any improvement over standard is owed to FutureFuel Chemical Company at the actual price Eastman Chemical Company incurred for the key raw material.

SSIPA/LiSIPA revenues are generated from a diverse customer base of nylon fiber manufacturers. Contract sales are indexed to key raw materials for inflation; otherwise, there is no pricing mechanism or specific protection against raw material or conversion cost changes.

Other products include agricultural intermediates and additives, imaging chemicals, fiber additives and various specialty pharmaceutical intermediates that FutureFuel Chemical Company has in full commercial production or in development. These products are currently sold in small quantities to a large customer base. Pricing for these products is negotiated directly with the customer (in the case of custom manufacturing) or is established based upon competitive market conditions (in the case of performance chemicals). In general, these products have no pricing mechanism or specific protection against raw material or conversion cost changes.

The year ended December 31, 2006 was the first full year that FutureFuel Chemical Company sold biodiesel. Capacity was initially 3 million gallons per year, increasing to 24 million gallons per year by the end of 2007 through a dedicated continuous processing line and, to a lesser extent, batch processing. During 2006 and 2007, FutureFuel Chemical Company sold for its own account and produced, for a fee, biodiesel for a third party under a tolling agreement. The tolling agreement terminated on September 30, 2007 and was not renewed. Today, FutureFuel Chemical Company procures all of its own feedstock and only sells biodiesel for its own account. In rare instances, FutureFuel Chemical Company purchases biodiesel from other producers for resale. FutureFuel Chemical Company has the capability to process multiple types of vegetable oils and animal fats, it can receive feedstock by rail or truck, and it has completed the construction of substantial storage capacity to acquire feedstock at advantaged prices when market conditions permit. We have plans to increase FutureFuel Chemical Company's production capacity to 59 million gallons of biodiesel per year by the first quarter of 2009 through the addition of a second continuous processing line. We believe we have successfully demonstrated our ability to keep our existing continuous processing line at or near capacity for sustained periods of time as well as our ability to both procure and logistically handle large quantities of feedstock. Uncertainty related to our future biodiesel production relates mainly to extension of the \$1 per gallon federal blenders credit. At the present time it is unclear whether Congress will approve the Energy and Tax Extenders Act of 2008, the legislation which would extend the \$1 per gallon credit through the end of 2009. Please see Part II, Item 1.A. below for additional discussion of this risk.

The majority of our and FutureFuel Chemical Company's expenses are cost of goods sold. Cost of goods sold reflects raw material costs as well as both fixed and variable conversion costs, conversion costs being those expenses that are directly or indirectly related to the operation of FutureFuel Chemical Company's plant. Significant conversion costs include labor, benefits, energy, supplies and maintenance and repair. In addition to raw material and conversion costs, cost of goods sold includes environmental reserves and costs related to idle capacity. Finally, cost of goods sold includes hedging gains and losses recognized by us. Cost of goods sold is allocated to the chemical and biofuels business segments based on equipment and resource usage for most conversion costs and based on revenues for most other costs.

Operating costs include selling, general and administrative and research and development expenses. These expense categories include expenses that were directly incurred by us and FutureFuel Chemical Company.

The discussions of results of operations that follow are based on revenues and expenses in total and for individual product lines and do not differentiate related party transactions.

*Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007*

*Revenues:* Revenues for the quarter ended June 30, 2008 were \$49,896,000 as compared to revenues for the quarter ended June 30, 2007 of \$41,620,000, an increase of 20%. The increase was mainly attributable to increased volumes of biodiesel produced and sold; revenue for the chemical business as a whole was relatively stable, declining 1%. Revenues from biofuels increased 121% and accounted for 32% of total revenues in 2008 as compared to 17% in 2007. Revenues from the bleach activator increased 1% and accounted for 39% of total revenues in 2008 as compared to 46% in 2007. Revenues from the proprietary herbicide and intermediates increased 2% and accounted for 13% of total revenues in 2008 as compared to 15% in 2007. Revenues from CPOs increased 2% in 2008 and accounted for 3% of total revenues in 2008 as compared to 4% in 2007. Revenues from DIPBs increased 12% and accounted for 4% of total revenues in both 2008 and 2007. Revenues from SSIPA/LiSIPA decreased 53% and accounted for 2% of total revenues in 2008 as compared to 6% in 2007. Revenues from other products increased 11% and accounted for 7% of total revenues in 2008 as compared to 8% in 2007.

Revenues from the bleach activator were generally in-line with expectations. We have experienced relatively stable demand from this customer since the first quarter of 2007 (with the exception of a peak in demand in the fourth



quarter of 2007) and are not aware of any particular market or customer-specific dynamic that would materially change this trend in the second half of 2008.

At present, revenues from the bleach activator and the proprietary herbicide and intermediates are together the most significant components of FutureFuel Chemical Company's revenue base, accounting for 52% of revenues in the quarter ended June 30, 2008 as compared to 61% in the quarter ended June 30, 2007. The future volume of and revenues from the bleach activator depend on both consumer demand for the product containing the bleach activator and the manufacturing, sales and marketing priorities of our customer. We are unable to predict with certainty the revenues we will receive from this product in the future. We believe our customer for the proprietary herbicide has been able to maintain its volume in light of generic competition by being more price competitive, changing its North American distribution system and developing new applications.

Revenues from CPOs and DIPBs together increased 7% during the second quarter of 2008, due mainly to a 12% increase in DIPB revenue which in turn is attributable to our customer replenishing low inventories. We believe future market conditions for both CPOs and DIPBs will be challenging since both product lines are negatively impacted by the automotive and housing slowdown. Our customer is optimistic that demand will hold firm at current levels at least through the second half of 2008 as a result of rising exports stemming from the year-to-date decline in the value of the U.S. dollar.

Revenues from SSIPA declined 53% during the second quarter of 2008 as compared to the same period of 2007. One of SSIPA's primary end uses is in carpet manufacturing and slowdowns in the housing market have reduced demand for our product. We believe demand from this market has stabilized and we are focused on securing new customers and identifying new end-use applications for the product to replace lost revenues.

Revenue from biodiesel increased in the second quarter of 2008 due to higher selling prices for biodiesel, increased capacity utilization and increased demand from certain core customers. FutureFuel Chemical Company's continuous production line was shut down from February 2007 to May 2007 as a result of a fire. This incident negatively impacted production in the second quarter of 2007. Production during the second quarter of 2008 has run without any material shutdowns and FutureFuel Chemical Company has demonstrated on a consistent and sustained basis its ability to run at or near nameplate capacity of 24 million gallons per year. Additionally, FutureFuel Chemical Company completed the construction of additional storage for feedstock and finished products as well as rail loading and unloading facilities in the first quarter of 2008. Combined with a larger fleet of leased railcars, the addition of this infrastructure has enabled FutureFuel Chemical Company to produce and sell biodiesel at higher sustainable rates.

*Cost of Goods Sold and Distribution:* Total cost of goods sold and distribution for the quarter ended June 30, 2008 were \$45,445,000 as compared to total cost of goods sold and distribution for the quarter ended June 30, 2007 of \$36,038,000, an increase of 26%.

Cost of goods sold and distribution for the quarter ended June 30, 2008 for FutureFuel Chemical Company's chemicals segment were \$26,983,000 as compared to cost of goods sold and distribution for the quarter ended June 30, 2007 of \$29,140,000. The reduction in cost of goods sold and distribution is primarily attributable to increased volumes of biodiesel sold, as higher biodiesel volumes will have the effect of allocating more fixed cost away from the chemicals segment to the biofuels segment. The decrease is also due to the results of plant-wide cost reduction efforts that had not yet been completed as of the end of the second quarter of 2007. These factors were partially offset by significant increases in raw material prices during the second quarter of 2008 as compared to the same period a year earlier. In some cases FutureFuel Chemical Company has price protection built into its long-term contracts and in other cases FutureFuel Chemical Company is able to pass along price increases to its customers. However, in many cases the price increases were material and immediate and FutureFuel Chemical Company was unable to preserve margin in all product lines; one example of this was the proprietary herbicide and intermediates where cost of goods sold and distribution increased more than 7% while revenues increased less than 2%.

Cost of goods sold and distribution for the quarter ended June 30, 2008 for FutureFuel Chemical Company's biofuels segment were \$18,462,000 as compared to cost of goods sold and distribution for the quarter ended June 30, 2007 of \$6,898,000. Aside from higher volumes in the second quarter of 2008 as compared to the second quarter of 2007, the increase in cost of goods sold and distribution is primarily due to losses on hedging activity of \$4,328,000

during the second quarter of 2008. A significant portion of these losses are tied to physical product that will not be sold until the third quarter of 2008, creating a timing difference that negatively impacts second quarter gross profit. Excluding the hedging losses, the biofuels segment was profitable on a fully allocated basis during the second quarter of 2008. However, without its hedging activity, the biofuels segment would be exposed to losses in environments of falling energy prices, such as the commodity price environment encountered thus far in the third quarter of 2008. Over longer periods of time, we believe the timing differences in recognition of profit and loss on physical inventory versus financial contracts will disappear and that, at current run rates and feedstock prices, the biofuels segment will be break even or marginally profitable on a fully allocated basis. On a variable contribution basis we anticipate contribution profit. We have not historically entered (nor do we anticipate entering) into feedstock purchase agreements unless commodity markets at that particular point in time offer the ability to lock in variable contribution profit through the sale of futures or options on heating oil or equivalent hedging instruments.

Several additional factors impacted cost of goods sold and distribution during the second quarter of 2008. First, we continued to sell certain biodiesel feedstock when opportunities existed in the market to generate margins on such sales in excess of those available from converting the feedstock; profit from these sales is reported as a credit to cost of goods sold and distribution. Second, we produced biodiesel in the batch plant for several weeks towards the end of the second quarter of 2008 in order to meet a peak in demand we were seeing in the biodiesel market. The continuous line is more efficient and produces higher volumes per reactor than the batch process and absorbs fewer overhead costs per gallon of biodiesel produced. Hence, our decision to utilize batch equipment negatively impacted cost of goods sold and distribution on a fully allocated basis; on a variable basis the increased cost is less significant. Third, we did not receive any funding from the State of Arkansas during the second quarter under the Arkansas Alternative Fuels Development Program.

*Operating Expenses:* Operating expenses increased from \$1,500,000 for the quarter ended June 30, 2007 to \$2,213,000 for the quarter ended June 30, 2008, or 48%. This increase was attributable to two factors. First, compensation expense increased \$446, or 100%, during the second quarter of 2008; stock option expense, which had not been incurred prior to the second quarter of 2008, accounted for the majority of this increase. Second, research and development expense increased \$330, mainly in support of a new specialty chemical project that we brought onsite during the second quarter of 2008.

*Provision for Income Taxes:* The effective tax rates for the three months ended June 30, 2008 and 2007 reflect our expected tax rate on reported operating earnings before income taxes. The reduced rate in the second quarter of 2008 as compared to the second quarter of 2007 is a result of our investments in certain tax-free securities during 2008 as well as our ability to apply gains on certain foreign currency transactions in the second quarter of 2008 against previously accumulated capital losses. We do not believe that we have a more likely than not probability of realizing a portion of our deferred tax assets. As such, we have recorded a valuation allowance of \$305,000 at June 30, 2008.

#### *Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007*

*Revenues:* Revenues for the six months ended June 30, 2008 were \$93,116,000 as compared to revenues for the six months ended June 30, 2007 of \$79,127,000, an increase of 18%. The increase was mainly attributable to increased volumes of biodiesel produced and sold; revenue for the chemical business as a whole was relatively stable, increasing 4%. Revenues from biofuels increased 124% and accounted for 23% of total revenues in 2008 as compared to 11% in 2007. Revenues from the bleach activator increased 2% and accounted for 43% of total revenues in 2008 as compared to 50% in 2007. Revenues from the proprietary herbicide and intermediates increased 17% and accounted for 15% of total revenues in both 2008 and 2007. Revenues from CPOs increased 19% in 2008 and accounted for 4% of total revenues in both 2008 and 2007. Revenues from DIPBs decreased 22% and accounted for 4% of total revenues in 2008 as compared to 6% in 2007. Revenues from SSIPA/LiSIPA decreased 18% and accounted for 4% of total revenues in 2008 as compared to 5% in 2007. Revenues from other products increased 16% and accounted for 7% of total revenues in 2008 as compared to 9% in 2007.

Revenues from the bleach activator were generally in-line with expectations. We have experienced relatively stable demand from this customer since the first quarter of 2007 (with the exception of a peak in demand in the fourth quarter of 2007) and are not aware of any particular market or customer-specific dynamic that would materially change this trend in the second half of 2008.

At present, revenues from the bleach activator and the proprietary herbicide and intermediates are together the most significant components of FutureFuel Chemical Company's revenue base, accounting for 58% of revenues in the first half of 2008 as compared to 65% in first half of 2007. The future volume of and revenues from the bleach activator depend on both consumer demand for the product containing the bleach activator and the manufacturing, sales and marketing priorities of our customer. We are unable to predict with certainty the revenues we will receive from this product in the future. We believe our customer for the proprietary herbicide has been able to maintain its volume in light of generic competition by being more price competitive, changing its North American distribution system and developing new applications.

Revenues from CPOs and DIPBs together decreased 6% during the first half of 2008, due mainly to a 22% reduction in DIPB revenues, which in turn is attributable to increased competition in our customer's market and the general decline in the housing and building industries, which are large consumers of DIPB end products. Revenues from DIPB have been steadily declining each quarter since the first quarter of 2007 as these market conditions came into effect. We believe future market conditions for both CPOs and DIPBs will be challenging but that demand from our customer will hold firm at current levels at least through the second half of 2008.

Revenues from SSIPA declined 18% during the first half of 2008 as compared to the same period of 2007. One of SSIPA's primary end uses is in carpet manufacturing and slowdowns in the housing market have reduced demand for our product. We believe demand from this market has stabilized and we are focused on securing new customers and identifying new end-use applications for the product to replace lost revenues.

Revenue from biodiesel increased in the first half of 2008 due to higher selling prices for biodiesel, increased capacity utilization and increased demand from certain core customers. FutureFuel Chemical Company's continuous production line was shut down from February 2007 to May 2007 as a result of a fire. This incident negatively impacted production in the first half of 2007. Production during the first half of 2008 has run without any material shutdowns and FutureFuel Chemical Company has demonstrated on a consistent and sustained basis its ability to run at or near nameplate capacity of 24 million gallons per year. Additionally, FutureFuel Chemical Company completed the construction of additional storage for feedstock and finished products as well as rail loading and unloading facilities in the first quarter of 2008. Combined with a larger fleet of leased railcars, the addition of this infrastructure has enabled FutureFuel Chemical Company to produce and sell biodiesel at higher sustainable rates.

*Cost of Goods Sold and Distribution:* Total cost of goods sold and distribution for the six months ended June 30, 2008 were \$78,083,000 as compared to total cost of goods sold and distribution for the six months ended June 30, 2007 of \$75,993,000, an increase of 3%.

Cost of goods sold and distribution for the six months ended June 30, 2008 for FutureFuel Chemical Company's chemicals segment were \$57,259,000 as compared to cost of goods sold and distribution for the six months ended June 30, 2007 of \$59,348,000. The reduction in cost of goods sold and distribution is primarily attributable to increased volumes of biodiesel sold, as higher biodiesel volumes will have the effect of allocating more fixed cost away from the chemicals segment to the biofuels segment. The decrease is also due to the results of plant-wide cost reduction efforts that had not yet been completed as of the end of the first half of 2007. These factors were partially offset by significant increases in raw material prices during the first half of 2008 (the second quarter in particular) as compared to the same period a year earlier. In some cases FutureFuel Chemical Company has price protection built into its long-term contracts and in other cases FutureFuel Chemical Company is able to pass along price increases to its customers. However, in many cases the price increases were material and immediate and it was impossible to preserve margin in all product lines.

Cost of goods sold and distribution for the six months ended June 30, 2008 for FutureFuel Chemical Company's biofuels segment were \$20,824,000 as compared to cost of goods sold and distribution for the six months ended June 30, 2007 of \$16,645,000. On a percentage basis, cost of goods sold and distribution for the biofuels segment increased 25% from 2007 to 2008 while revenues increased 125%. FutureFuel Chemical Company was able to offset volume-based increases in cost through the following initiatives. First, we received \$2 million from the State of Arkansas resulting from our biodiesel operating cost grant application under the Arkansas Alternative Fuels Development Program. This funding was attributable to our biodiesel production between January 1, 2007 and December 31, 2007. The funding grant has two windows: January 1, 2007 - June 30, 2008 and July 1, 2008 - June 30, 2009, with up to \$0.20 per gallon of biodiesel produced (limited to \$2 million). With our production during

2007, we exceeded the funding available during the first window but we have already applied for this funding in the second half of 2008. We will continue to recognize income in the period funding is received. Second, we sold certain biodiesel feedstock based on an analysis of market value relative to product margins from converting the feedstock; these sales are recorded as an offset to cost of goods sold and distribution. We intend to continue pursuing these opportunities where appropriate. Third, we produced biodiesel primarily in batch processes during the first quarter of 2007 as a result of the fire in early February that disabled our continuous line. During 2008, we produced biodiesel almost entirely in the continuous line, with the exception of several weeks in June when we also produced biodiesel in batch processes to meet a seasonal peak in demand. The continuous line is more efficient and produces higher volumes per reactor than the batch process and absorbs fewer overhead costs per gallon of biodiesel produced. We will continue to focus our production on our continuous line, utilizing batch processes only to achieve higher capacity rates when market conditions so warrant, to test new processing techniques, and to experiment with various alternative feedstock. Partially offsetting the above initiatives in the biofuels segment was a recognized loss of \$4,328,000 during first half of 2008 related to hedging activities. A significant portion of these losses are tied to physical product that will not be sold until the third quarter of 2008, creating a timing difference that negatively impacts first half 2008 gross profit. Excluding the hedging losses the biofuels segment was profitable on a fully allocated basis during the first half of 2008. After including the hedging losses, the biofuels segment was close to breakeven on a fully allocated basis. Considerations related to hedging activity are more fully described above under the discussion of cost of goods sold and distribution for the biofuels segment for the second quarter of 2008 as compared to the second quarter of 2007.

*Operating Expenses:* Operating expenses increased from \$3,292,000 for the six months ended June 30, 2007 to \$3,949,000 for the six months ended June 30, 2008, or approximately 20%. This increase was attributable to two factors. First, compensation expense increased \$567, or 75%, during the first half of 2008; stock option expense, which had not been incurred prior to the second quarter of 2008, accounted for the majority of this increase. Second, research and development expense increased \$295, or 18%, mainly in support of a new specialty chemical project that we brought onsite during the second quarter of 2008.

*Provision for Income Taxes:* The effective tax rates for the six months ended June 30, 2008 and 2007 reflect our expected tax rate on reported operating earnings before income taxes. The reduced rate in the first half of 2008 as compared to the first half of 2007 is a result of our investments in certain tax-free securities during 2008 as well as our ability to apply gains on certain foreign currency transactions in the second quarter of 2008 against previously accumulated capital losses. We do not believe that we have a more likely than not probability of realizing a portion of our deferred tax assets. As such, we have recorded a valuation allowance of \$305,000 at June 30, 2008.

#### *Critical Accounting Estimates*

*Revenue Recognition:* For most product sales, revenue is recognized when product is shipped from our facilities and risk of loss and title have passed to the customer, which is in accordance with our customer contracts and the stated shipping terms. All custom manufactured products are manufactured under written contracts. Performance chemicals and biodiesel are sold pursuant to the terms of written purchase orders. In general, customers do not have any rights of return, except for quality disputes. However, all of our products are tested for quality before shipment, and historically returns have been inconsequential. We do not offer volume discounts, rebates or warranties.

Revenue from bill and hold transactions in which a performance obligation exists is recognized when the total performance obligation has been met. Bill and hold transactions for three specialty chemical customers in 2008 and two specialty chemical customers in 2007 related to revenue that was recognized in accordance with contractual agreements based on product produced and ready for use. These sales were subject to written monthly purchase orders with agreement that production was reasonable. The inventory was custom manufactured and stored at the customer's request and could not be sold to another buyer. Credit and payment terms for bill and hold customers are similar to other specialty chemical customers. Sales revenue under bill and hold arrangements were \$21,387,000 and \$16,008,000 for the six months ended June 30, 2008 and 2007, respectively. Bill and hold revenue was higher in 2008 primarily from converting one customer's product line entirely to a bill and hold arrangement.

#### *Liquidity and Capital Resources*

Our consolidated net cash provided by (used in) operating activities, investing activities and financing activities for the six months ended June 30, 2008 and 2007 are set forth in the following chart.

(Dollars in thousands)

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Net cash provided by operating activities	\$ 9,607	\$ 8,336
Net cash used in investing activities	(62,678)	(8,495)
Net cash used in financing activities	\$ -	\$ (50)

*Operating Activities:* Cash provided by operating activities increased from \$8,336,000 during the first six months of 2007 to \$9,607,000 during the first six months of 2008. Cash provided by operating activities during the first six months of 2007 was primarily attributable to favorable changes in working capital accounts: change in accounts receivable contributed \$2,565,000, change in inventory contributed \$1,508,000 and change in accounts payable contributed \$1,691,000. Partially offsetting these changes was a reduction in cash due to change in income taxes payable of \$(1,916,000). Conversely, cash provided by operating activities during the first six months of 2008 was mainly attributable to net income and an increase in deferred revenue of \$5,178,000. FutureFuel Chemical Company experienced an increase in its working capital accounts during the first half of 2008: accounts receivable increased \$5,374,000, inventory increased \$2,886,000, and accounts payable decreased \$105,000. Other than the changes in cash discussed above, no single item resulted in a greater or less than \$1 million change in cash with the exception of depreciation and amortization, which was \$2,127,000 in the first half of 2007 and \$2,743,000 in the first half of 2008.

*Investing Activities:* Cash used in investing activities increased from \$(8,495,000) in the first half of 2007 to \$(62,678,000) in the first half of 2008. This increase was primarily attributable to net cash flows used in the purchase of marketable debt and auction rate securities. These investments are further described below under "Capital Management".

*Financing Activities:* Cash used in financing activities was \$50,000 in the first half of 2007 as compared to no activity in the first half of 2008. Financing activities during 2007 consisted solely of the payment of a bank financing fee.

#### *Credit Facility*

FutureFuel Chemical Company entered into a \$50 million credit agreement with a commercial bank in March 2007. The loan is a revolving facility the proceeds of which may be used for working capital, capital expenditures and general corporate purposes of FutureFuel Chemical Company. The facility terminates in March 2010. Advances are made pursuant to a borrowing base. Advances are secured by a perfected first priority security interest in accounts receivable and inventory. The interest rate floats at certain margins over LIBOR or base rate based upon certain leverage ratio from time to time.

There is an unused commitment fee. Beginning December 31, 2007, and on the last day of each fiscal quarter thereafter, the ratio of EBITDA to fixed charges may not be less than 1.5:1. Beginning June 30, 2007, the ratio of total funded debt to EBITDA may not exceed 3.50:1, reduced to 3.25:1 at March 31, 2008, June 30, 2008 and September 30, 2008, and then 3:1 thereafter. We have guaranteed FutureFuel Chemical Company's obligations under this credit agreement.

As of June 30, 2008 and December 31, 2007, FutureFuel Chemical Company had no borrowings under this \$50 million credit agreement.

We intend to fund future capital requirements for FutureFuel Chemical Company's chemical and biofuels segments from cash flow generated by FutureFuel Chemical Company as well as from existing cash and borrowings under the credit facility. We do not believe there will be a need to issue any securities to fund such capital requirements.

#### *Off-Balance Sheet Arrangements*

Our only off-balance sheet arrangements are: (i) the financial assurance trusts established for the benefit of the Arkansas Department of Environmental Quality; and (ii) hedging transactions. The financial assurance trusts aggregated \$3,341,000 at June 30, 2008 and were established to provide assurances to the Arkansas Department of Environmental Quality that, in the event the Batesville facility is closed permanently, any reclamation activities

necessitated under applicable environmental laws will be completed. Such financial assurance trusts are not reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. The amounts held in trust are included in restricted cash and cash equivalents on our balance sheet. The closure liabilities are included in other noncurrent liabilities, but only on a present value basis.

We engage in two types of hedging transactions. First, we hedge our biodiesel sales through the purchase and sale of futures contracts and options on futures contracts of energy commodities. This activity was captured on our balance sheet at June 30, 2008 and December 31, 2007. Second, we hedge our biodiesel feedstock through the execution of purchase contracts and supply agreements with certain vendors. These hedging transactions are recognized in earnings and were not recorded on our balance sheet at June 30, 2008 or December 31, 2007 as they do not meet the definition of a derivative instrument as defined under accounting principles generally accepted in the U.S. The purchase of biodiesel feedstock generally involves two components: basis and price. Basis covers any refining or processing required as well as transportation. Price covers the purchases of the actual agricultural commodity. Both basis and price fluctuate over time. A supply agreement with a vendor constitutes a hedge when FutureFuel Chemical Company has committed to a certain volume of feedstock in a future period and has fixed the basis for that volume.

### *Capital Management*

Over approximately the last twelve months, the global financial markets have experienced significant volatility and fluctuations in credit market liquidity. In some instances, these market conditions have caused companies to reconsider the classification of certain investments on their balance sheets and, in some cases, to record losses on the reduced fair market value of those investments. To date, as more fully described in the following paragraphs, we have been able to avoid these problems through our active management of our short-term investments and cash.

As a result of our initial equity offering and the subsequent positive operating results of FutureFuel Chemical Company, we have accumulated excess working capital. At the present time, we intend to retain all cash to fund infrastructure and capacity expansion at FutureFuel Chemical Company and to pursue complimentary acquisitions in the oil and gas industry. While in the present state of having excess working capital, we intend to manage these assets in such a way as to generate sufficient returns on these funds. Third parties have not placed significant restrictions on our working capital management decisions.

In the first six months of 2008, the management of these funds has largely taken the form of investments in U.S. treasury bills and bonds, investments in foreign denominated government bonds, investments in auction rate securities, investments in foreign currency and the holding of cash in money market or similar bank accounts.

Beginning in late 2007, we made investments in certain U.S. treasury bills and notes. As of June 30, 2008, these debt securities had either matured or been sold. We realized a gain of \$83,000 on the sale of these securities.

In 2008 we made an investment in treasury bonds of a certain foreign government. As of June 30, 2008, these marketable debt securities have a maturity date of September 12, 2008. We have designated these securities as being available-for-sale. Accordingly, these securities are carried at fair value, with the unrealized gains and losses, net of taxes, reported as a separate component of stockholders' equity. The fair market value of these securities, including accrued interest, totaled \$10,349,000 at June 30, 2008.

We have selectively made investments in certain auction rate securities that we believe offer sufficient yield along with sufficient liquidity. To date, all the auction rate securities in which we have invested have maintained a mechanism for liquidity, meaning that the respective auctions have not failed, the issuers have called the instruments, or a secondary market exists for liquidation of the securities. We have classified these instruments as current assets in the accompanying consolidated balance sheet and carry them at their estimated fair market value. The fair market value of these instruments approximated their par value and, including accrued interest, totaled \$58,984,000 at June 30, 2008. Auction rate securities are typically long term bonds issued by an entity for which there is a series of auctions over the life of the bond that serve to reset the interest rate on the bonds to a market rate. These auctions also serve as a mechanism to provide liquidity to the bond holders; as long as there are sufficient purchasers of the auction rate securities, the then owners of the auction rate securities are able to liquidate their investment through a sale to the new purchasers. In the event of an auction failure, a situation when there are more

sellers than buyers of a particular issue, the current owners of an auction rate security issue may not be able to liquidate their investment. As a result of an auction failure, a holder may be forced to hold the particular security either until maturity or until a willing buyer is found. Even if a willing buyer is found, however, there is no guarantee that this willing buyer will purchase the security for its carrying value, which would result in a loss being realized on the sale. The liquidity problems currently experienced in the U.S. auction rate securities markets have generally been focused on closed-end fund and student loan auction rate securities, asset classes that we have avoided.

In 2008, we made investments in certain foreign currencies. These investments were converted into U.S. dollars at the applicable exchange rate at June 30, 2008 for financial reporting purposes and were recorded as components of cash and cash equivalents in our accompanying consolidated balance sheet. At June 30, 2008, these balances were not significant.

Lastly, we maintain depository accounts such as checking accounts, money market accounts and other similar accounts at selected financial institutions.

#### *Other Matters*

We entered into an agreement with a customer to construct at a fixed price a processing plant and produce a certain chemical for the customer. We engaged a third party to act as general contractor on the construction of this plant for a guaranteed price. That general contractor defaulted on its obligations under its contract with us. As a result, we terminated the contractor and have undertaken the general contractor role ourselves. We also filed suit against our former contractor to recoup any damages that we may incur as a result of his default. The former contractor has counterclaimed against us for amounts he asserts are due him under our contract with him. At this time, we are unable to determine what effect that general contractor's default and/or his counterclaim will have on us or our financial condition.

#### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

In recent years, general economic inflation has not had a material adverse impact on FutureFuel Chemical Company's costs and, as described elsewhere herein, we have passed some price increases along to our customers. However, we are subject to certain market risks as described below.

Market risk represents the potential loss arising from adverse changes in market rates and prices. Commodity price risk is inherent in the chemical and biofuels business both with respect to input (electricity, coal, biofuel feedstock, etc.) and output (manufactured chemicals and biofuels).

We seek to mitigate our market risks associated with the manufacturing and sale of chemicals by entering into term sale contracts that include contractual market price adjustment protections to allow changes in market prices of key raw materials to be passed on to the customer. Such price protections are not always obtained, however, so raw material price risk remains a significant risk.

In order to manage price risk caused by market fluctuations in biofuel prices, we may enter into exchange traded commodity futures and options contracts. We account for these derivative instruments in accordance with Statement of Financial Accounting Standards ("SFAS") No. 133 *Accounting for Derivative Instruments and Hedging Activities*, as amended. Under these standards, the accounting for changes in the fair value of a derivative instrument depends upon whether it has been designated as an accounting hedging relationship and, further, on the type of hedging relationship. To qualify for designation as an accounting hedging relationship, specific criteria must be met and appropriate documentation maintained. We had no derivative instruments that qualified under these rules as designated accounting hedges in 2008 or 2007. Changes in the fair value of our derivative instruments are recognized at the end of each accounting period and recorded in the statement of operations as a component of cost of goods sold.

Our immediate recognition of derivative instrument gains and losses can cause net income to be volatile from quarter to quarter due to the timing of the change in value of the derivative instruments relative to the sale of biofuel being sold. As of June 30, 2008 and December 31, 2007, the fair values of our derivative instruments were a net liability in the amount of \$521,000 and \$247,000, respectively.

Our gross profit will be impacted by the prices we pay for raw materials and conversion costs (costs incurred in the production of chemicals and biofuels) for which we do not possess contractual market price adjustment protection. These items are principally comprised of animal fat, electricity, caustic soda, coal and natural gas. The availability and price of all of these items are subject to wide fluctuations due to unpredictable factors such as weather conditions, overall economic conditions, farmers' planting decisions, governmental policies and global supply and demand.

We prepared a sensitivity analysis of our exposure to market risk with respect to key raw materials and conversion costs for which we do not possess contractual market price adjustment protections, based on average prices in the first half of 2008. We included only those raw materials and conversion costs for which a hypothetical adverse change in price would result in a 1% or greater decrease in gross profit. Assuming that the prices of the associated finished goods could not be increased and assuming no change in quantities sold, a hypothetical 10% change in the average price of the commodities listed below would result in the following change in annual gross profit:

(Volumes and dollars in thousands)

Item	Volume <sup>(a)</sup> Requirements	Units	Hypothetical Adverse Change in Price	Decrease in Gross Profit	Percentage Decrease in Gross Profit
Animal fat	39,624,289	LB	10.0%	\$ 1,709	11.2%
Electricity	46,672	MWH	10.0%	\$ 265	1.7%
Caustic soda	13,359,382	LB	10.0%	\$ 188	1.2%
Coal	26,993	Ton	10.0%	\$ 185	1.2%
Natural gas	157,362	KSCF	10.0%	\$ 174	1.2%

(a) Volume requirements and average price information are based upon volumes used and prices obtained for the six months ended June 30, 2008. Volume requirements may differ materially from these quantities in future years as the business of FutureFuel Chemical Company evolves.

In 2008, we made investments in treasury bonds of a certain foreign government. No such investments were held at December 31, 2007. These bonds are denominated in Euros. We estimate that a hypothetical 10 percent weakening of this foreign currency relative to the U.S. dollar at June 30, 2008 would decrease future cash flows by \$1,035,000.

As of June 30, 2008 and December 31, 2007, we had no borrowings and, as such, were not exposed to interest rate risk.

#### Item 4. Controls and Procedures.

Under the supervision and with the participation of our Chief Executive Officer and our Principal Financial Officer and other senior management personnel, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended ("*Exchange Act*")) as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and our Principal Financial Officer have concluded that these disclosure controls and procedures as of June 30, 2008 were effective to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in our internal control over financial reporting during our last fiscal quarter that materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.



**PART II  
OTHER INFORMATION**

**Item 1. Legal Proceedings.**

Neither we nor our subsidiary are a party to, nor is any of ours or their property subject to, any material pending legal proceedings, other than ordinary routine litigation incidental to their businesses.

From time to time, FutureFuel Chemical Company and its operations may be parties to, or targets of, lawsuits, claims, investigations and proceedings, including product liability, personal injury, asbestos, patent and intellectual property, commercial, contract, environmental, antitrust, health and safety and employment matters, which we expect to be handled and defended in the ordinary course of business. While we are unable to predict the outcome of any such matters currently pending, we do not believe that the ultimate resolution of any such pending matters will have a material adverse effect on our overall financial condition, results of operations or cash flows. However, adverse developments could negatively impact earnings or cash flows in future periods.

**Item 1A. Risk Factors.**

See our Amendment No. 3 to Form 10 Registration Statement filed with the Securities and Exchange Commission on April 9, 2008 for a description of "Risk Factors" relating to an investment in us. There are no material changes from the risk factors disclosed in such filing except as follows.

***The federal excise tax credit for biodiesel expires on December 31, 2008 and Congress has not enacted legislation to extend this credit. If the credit expires, FutureFuel Chemical Company's cost of producing biodiesel will be increased, which could have an adverse effect on our financial position.***

In October 2004, Congress passed a biodiesel tax incentive, structured as a federal excise tax credit, as part of the American Jobs Creation Act of 2004. The credit amounts to one cent for each percentage point of vegetable oil or animal fat biodiesel that is blended with petrodiesel (and one-half cent for each percentage point of recycled oils and other non-agricultural biodiesel). For example, blenders that blend B20 made from soy, canola and other vegetable oils and animal fats receive a 20¢ per gallon excise tax credit, while biodiesel made from recycled restaurant oils (yellow grease) receive half of this credit. The tax incentive generally is taken by petroleum distributors and is passed on to the consumer. It is designed to lower the cost of biodiesel to consumers in both taxable and tax-exempt markets. The tax credit was scheduled to expire at the end of 2006, but was extended in the Energy Policy Act of 2005 to December 31, 2008.

Congress has not enacted any legislation to extend this tax credit beyond December 31, 2008. If the tax credit is not extended, FutureFuel Chemical Company's biodiesel production costs will increase by \$1.00 per gallon. If biodiesel feedstock costs do not decrease significantly relative to biodiesel prices by the beginning of 2009, FutureFuel Chemical Company would realize a negative biodiesel production margin. As a result, we would cease producing biodiesel, which could have an adverse effect on our financial condition.

***The U.S. biodiesel manufacturing base is contracting due to sustained increased feedstock costs for biodiesel. This contraction may adversely affect FutureFuel Chemical Company's ability to sell biodiesel.***

U.S. biodiesel producers are encountering high feedstock costs. For example, Illinois spot soybean prices were around 62.37¢ per pound as of June 18, 2008, up 86% year-on-year. In light of these economics, at least 275 million gallons of biodiesel production/new construction has been halted or suspended since January 1, 2008. Further industry consolidation is expected. This industry contraction could affect the willingness of potential customers to purchase biodiesel if they perceive that the biodiesel market is not a stable long-term supply of product, which could adversely affect our sales and results of operations.

*Anti-subsidy and anti-dumping complaints have been filed with the European Commission concerning imports of biodiesel originating in the United States. The existence of such complaints, and an adverse decision by the European Commission, could reduce demand for biodiesel produced in the United States.*

Anti-subsidy and anti-dumping complaints have been filed with the European Commission concerning imports of biodiesel originating in the United States. Although we are not a target of such complaints and do not import biodiesel into the European community, the existence of such complaints, and an adverse decision by the European Commission, could reduce demand for biodiesel produced in the United States. Such a reduction in demand could reduce the amount of biodiesel that FutureFuel Chemical Company sells, which could have an adverse effect on our financial condition.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Submission of Matters to Vote of Security Holders**

Our annual meeting of shareholders was held on June 24, 2008. The following three matters were voted upon and approved by our shareholders.

- Edwin A. Levy and Donald C. Bedell were reelected as Class A directors for terms expiring at the 2010 annual meeting of shareholders. In each case, the result was 17,487,429 votes “for” reelection and 250,000 votes against reelection.
- Lee E. Mikles and Thomas R. Evans were reelected as Class B directors for terms expiring at the 2011 annual meeting of shareholders. In each case, the result was 17,487,429 votes “for” reelection and 250,000 votes against reelection.
- The withdrawal of the admission of FutureFuel Corp.’s common stock to the AIM market of the London Stock Exchange plc was approved, to be effective July 14, 2008. The result was 17,487,429 votes for and 250,000 votes against.
- The ratification of the appointment of RubinBrown LLP as FutureFuel Corp.’s independent auditors for 2007 and 2008 was approved. The result was 17,487,429 votes for and 250,000 votes against.

In addition, warrant holders approved the withdrawal of the admission of FutureFuel Corp.’s warrants to purchase common stock to the AIM market, effective July 14, 2008. The result was 12,034,572 votes for and 250,000 against.

**Item 5. Other Information.**

None.

**Item 6. Exhibits and Reports on Form 8-K**

<b>Exhibit No.</b>	<b>Description</b>
10.7	Purchase Agreement made and entered into as of April 1, 2008 between The Procter & Gamble Manufacturing Company, The Procter & Gamble Distributing LLC and Procter & Gamble International Operations SA, as buyer, and FutureFuel Chemical Company, as seller
31(a)	Rule 13a-15(e)/15d-15(e) Certification of chief executive officer
31(b)	Rule 13a-15(e)/15d-15(e) Certification of principal financial officer
32	Section 1350 Certification of chief executive officer and principal financial officer

## Forward Looking Information

This Form contains or incorporates by reference “forward-looking statements”. When used in this document, the words “anticipate,” “believe,” “estimate,” “expect,” “plan,” and “intend” and similar expressions, as they relate to us, FutureFuel Chemical Company or our respective management, are intended to identify forward-looking statements. These forward-looking statements are based on current management assumptions and are subject to uncertainties and inherent risks that could cause actual results to differ materially from those contained in any forward-looking statement. We caution you therefore that you should not rely on any of these forward-looking statements as statements of historical fact or as guarantees or assurances of future performance. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions as well as, but not limited to, the following:

- conflicts of interest of our officers and directors;
- potential future affiliations of our officers and directors with competing businesses;
- the control by our founding shareholders of a substantial interest in us;
- the highly competitive nature of the chemical and alternative fuel industries;
- fluctuations in energy prices may cause a reduction in the demand or profitability of the products or services we may ultimately produce or offer or which form a portion of our business;
- changes in technology may render our products or services obsolete;
- failure to comply with governmental regulations could result in the imposition of penalties, fines or restrictions on operations and remedial liabilities;
- the operations of FutureFuel Chemical Company’s biofuels business may be harmed if the applicable government were to change current laws and/or regulations;
- our board may have incorrectly evaluated FutureFuel Chemical Company’s potential liabilities;
- our board may have FutureFuel Chemical Company engage in hedging transactions in an attempt to mitigate exposure to price fluctuations in petroleum product transactions and other portfolio positions which may not ultimately be successful; and
- we may not continue to have access to capital markets and commercial bank financing on favorable terms and FutureFuel Chemical Company may lose its ability to buy on open credit terms.

Although we believe that the expectations reflected by such forward-looking statements are reasonable based on information currently available to us, no assurances can be given that such expectations will prove to have been correct. All forward-looking statements included in this Form and all subsequent oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Readers are cautioned not to place undue reliance on any forward-looking statements, which speak only as to their particular dates.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FUTUREFUEL CORP.

By: /s/ Douglas D. Hommert  
Douglas D. Hommert, Executive Vice President, Secretary  
and Treasurer

Date: August 14, 2008

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\*\*\*\* DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT

## PURCHASE AGREEMENT

This is an agreement, ("AGREEMENT"), made and entered into as of **April 1, 2008** ("EFFECTIVE DATE") between the BUYER and SELLER (individually a "PARTY" and collectively the "PARTIES").

### 1 PARTIES

#### 1.1 BUYER

**The Procter & Gamble Manufacturing Company at One Procter & Gamble Plaza, Cincinnati, Ohio 45202, U.S.A.,**

**The Procter & Gamble Distributing LLC at One Procter & Gamble Plaza, Cincinnati, Ohio 45202, USA and**

**Procter & Gamble International Operations SA at 47, route de Saint-Georges, 1213 Petit-Lancy 1, Geneva, Switzerland**

(each entity listed under this heading, individually and collectively, "BUYER").

#### 1.2 SELLER

**FutureFuel Chemical Company at 2800 Gap Road, Batesville, Arkansas 72501, U.S.A. ("SELLER").**

#### 1.3 MULTIPLE BUYER

The PARTIES hereby acknowledge and agree that (i) the obligations of SELLER hereunder are for the benefit of, and may be enforced by, each respective BUYER; and (ii) no BUYER shall have any liability to SELLER or any third party hereunder with respect to any breach by or obligation of any other BUYER.

### 2 GOODS

#### 2.1 GOODS; SPECIFICATIONS

SELLER shall sell and BUYER shall purchase stabilized sodium salt of Nonanoyl OxyBenzene Sulfonate (NOBS) in accordance with the terms and conditions set forth in this AGREEMENT ("GOODS") in strict compliance with the specifications as set forth in BUYER's Specification Sheet(s) \*\*\* which are attached hereto as Exhibit 1 and incorporated herein by reference and forming a part hereof and as may be amended from time to time in accordance with the Section entitled SPECIFICATION CHANGES ("SPECIFICATIONS").

#### 2.2 SPECIFICATION CHANGES

##### 2.2.1 GENERAL

From time to time, BUYER may in good faith revise, supplement or otherwise amend the SPECIFICATIONS by written notice to SELLER. These revised SPECIFICATIONS shall become effective sixty (60) calendar days after SELLER's receipt of such notice ("CHANGE DATE") unless SELLER provides BUYER with a written objection prior to the CHANGE DATE ("OBJECTION"). SELLER shall act in good faith and use commercially reasonable efforts to accept each revised SPECIFICATIONS. If SELLER ships GOODS against a PURCHASE ORDER (as defined below) requesting GOODS in accordance with the revised SPECIFICATIONS, or if SELLER fails to provide the OBJECTION within such 60-day period, then such revised SPECIFICATIONS shall replace the prior SPECIFICATIONS for purposes of this AGREEMENT.

##### 2.2.2 OBJECTION

If SELLER provides an OBJECTION prior to the CHANGE DATE, the PARTIES shall promptly discuss the reason for the OBJECTION and attempt in good faith and with commercially reasonable efforts to resolve the

\*\*\*\* DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT

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same. If the PARTIES cannot resolve the OBJECTION within ninety (90) calendar days after the CHANGE DATE, then BUYER shall be entitled to immediately (i) terminate this AGREEMENT without any penalty, liability or further obligation except as otherwise set forth herein; (ii) purchase the GOODS from other suppliers in which case the obligations of BUYER and SELLER hereunder shall be reduced accordingly; or (iii) continue purchases under this AGREEMENT, in which case the SPECIFICATIONS shall not be revised. BUYER must notify SELLER within thirty (30) days after the end of such 90-day period as to which of clauses (i), (ii) or (iii) it has elected.

### **2.3 PRODUCTION PROCESS AND/OR RAW MATERIAL CHANGES**

SELLER shall not make any change to the raw and pack material feedstock or any portion or component of the GOODS, or any material change to the production process or the production equipment relating to SELLER's performance under this AGREEMENT, unless and until SELLER has obtained BUYER's prior written consent. BUYER shall be entitled to reject any such change, in its sole discretion.

### **2.4 MATERIAL, PRODUCT OR EQUIPMENT DISPOSAL**

In the event that any material, product or equipment, including, but not limited to, packaging materials, printing plates, molds, formulations, fragrances and ingredients, which incorporates BUYER's IP RIGHTS (as defined below) requires disposal (“DISPOSAL ITEM”) while under SELLER's ownership or control, SELLER is responsible for ensuring that such disposal is carried out under SELLER's direct control and full supervision in order to ensure that the DISPOSAL ITEM is made entirely unsalvageable. SELLER shall not contract out such disposal or involve any third parties in this process without the prior written consent of BUYER provided that SELLER may dispose of a DISPOSAL ITEM as entirely unsalvageable waste with any duly licensed landfill or waste disposal site without BUYER's prior written consent. Upon expiration or termination of this AGREEMENT, SELLER shall compile an inventory of currently held materials identifying all DISPOSAL ITEMS for agreement with BUYER as to which items require disposal in accordance with the procedure described above. SELLER is responsible for taking all commercially reasonable steps to prevent the counterfeiting of BUYER's current or previously marketed products or the infringement of BUYER's IP RIGHTS resulting from the use of any DISPOSAL ITEMS.

## **3 QUALITY AND ACCEPTANCE**

### **3.1 QUALITY**

The GOODS shall be in strict compliance with the SPECIFICATIONS and in accordance with the terms and conditions set forth in this AGREEMENT.

### **3.2 ACCEPTANCE**

Notwithstanding BUYER's acceptance of any GOODS, BUYER shall, for a period of ninety (90) days after receipt of GOODS at the BUYER's applicable manufacturing facility, continue to have the right to revoke such acceptance with respect to all or any portion of such GOODS that BUYER reasonably determines do not meet the terms and conditions set forth in this AGREEMENT. After such 90-day period, such GOODS will be deemed to be in compliance with the SPECIFICATIONS.

### **3.3 RETURN, REWORK & SCRAPPING**

Any GOODS DELIVERED (as defined below) by SELLER to BUYER that are not in full compliance with the SPECIFICATIONS may, upon mutual agreement between BUYER and SELLER made within five (5) calendar days after BUYER'S notice to SELLER, be (i) returned to SELLER at SELLER's expense for credit to BUYER at the full PRICE (as defined below) plus all costs and expenses associated with such return, including, without limitation, payment or reimbursement for customs duties and freight charges; (ii) scrapped by BUYER, at SELLER's expense, in which case BUYER shall be relieved of any payment obligations with respect to such GOODS, or (iii) reworked by SELLER, at SELLER's expense. The rights and remedies set forth in this Section are not exclusive and nothing herein shall limit the rights and remedies either PARTY may have under this AGREEMENT or at LAW (as defined below).

## 4 QUANTITY

### 4.1 PURCHASE & SALE OBLIGATIONS

Upon BUYER’s request during the PERIOD (as defined below), and in accordance with the terms and conditions set forth in this AGREEMENT, SELLER shall sell and BUYER shall purchase 100% of BUYER’s requirements for GOODS, estimated to be \*\*\* per year \*\*\*. For purposes of clarification, these numbers are estimates and shall not be construed as a minimum purchase commitment or give rise to liability on behalf of BUYER if BUYER’s purchases of GOODS are less than these estimates.

During the PERIOD, BUYER shall offer SELLER the first right of refusal to supply NOBS-derived material for use as bleach activator for BUYER’s requirements. BUYER shall give written notice to SELLER at least six (6) months prior to the need for such NOBS-derived material, and SELLER shall have sixty (60) days from BUYER’s notification to provide a commercial proposal in writing to supply such NOBS-derived material. SELLER’s proposal shall constitute a commitment to make such NOBS-derived material available to BUYER, on mutually agreed terms, on or before six (6) months from the date of BUYER’s initial written notice to SELLER. If SELLER declines to supply such NOBS-derived material or if BUYER and SELLER cannot agree in good faith on commercial terms for such supply within thirty (30) days from BUYER’s receipt of proposal from SELLER, then BUYER’s obligations to purchase its requirements of NOBS-derived material from SELLER will be waived.

### 4.2 PURCHASE ORDERS

From time to time during the PERIOD of this AGREEMENT, BUYER may request GOODS from SELLER pursuant to and in accordance with separate BUYER forms of purchase orders, releases or other related documentation (collectively “PURCHASE ORDERS”). Such PURCHASE ORDERS shall specify quantities of GOODS, shipping instructions, delivery date(s) and detailed instructions for the delivery of GOODS (with release schedules, delivery orders or equivalent notices). Each PURCHASE ORDER shall be binding upon SELLER and BUYER, and shall be deemed to constitute a part of this AGREEMENT as if fully set forth herein, and all terms and conditions of this AGREEMENT shall be deemed to apply to the subject matter of such PURCHASE ORDER as if fully set forth therein. In the event of any conflict or inconsistency between the terms of this AGREEMENT and the terms of any PURCHASE ORDER, the terms of this AGREEMENT shall prevail.

### 4.3 ESTIMATED ORDERS

No later than fifteen (15) days prior to the beginning of each calendar quarter under this Agreement, BUYER will provide to SELLER estimated orders and bulk rail shipping schedules for the next calendar quarter and estimated orders for the following calendar quarter. Lead-times and related procedures for orders and order changes will be established and updated by mutual agreement of BUYER and SELLER.

### 4.4 REDUCTION OR DISCONTINUANCE OF PURCHASES

SELLER acknowledges and agrees that BUYER may deem it necessary, from time to time, to reduce or discontinue purchases of the GOODS covered by this AGREEMENT because of product or packaging reformulation; process change; changes in technology; changes in the laws governing the GOODS or sale or distribution of the GOODS; the discontinuance of the GOODS; divestiture of the business in which the GOODS reside; relocation of production to one of BUYER’s facilities; or similar reasons. In such event BUYER shall provide SELLER with reasonable, but not less than three hundred and sixty five (365) calendar days, prior written notice of any such reduction or discontinuance, and BUYER shall be entitled at the end of such 365-day period to reduce or discontinue further purchases of GOODS from SELLER hereunder without any penalty, liability or further obligation. Notwithstanding the preceding: (i) BUYER is still liable in the manner set forth herein for all GOODS ordered prior to such reduction or discontinuance, and for all inventory and work-in-process; (ii) all indemnifications set forth herein survive such reduction or discontinuance; (iii) in the event of a reduction, BUYER’s obligations hereunder survive except in the reduced amount; and (iv) SELLER’s obligations hereunder are reduced or eliminated in the same manner as BUYER’s.

#### 4.5 MAXIMUM PURCHASES DURING ANY CALENDAR QUARTER

Should BUYER’s orders for GOODS on a 100% active basis exceed \*\*\*\* for a calendar quarter, SELLER requires forty five (45) days written notice from BUYER. SELLER shall accept BUYER’s order up to \*\*\*\* for that calendar quarter immediately and within fourteen (14) days of receiving such order, have the option to not accept the remaining order above \*\*\*\* for that calendar quarter in part or in full, after exhausting all reasonable technical and commercial efforts to meet the order above \*\*\*\* for that calendar quarter. If SELLER elects not to accept a portion of such order as set forth in the preceding sentence, then BUYER may purchase the amount SELLER rejects from alternate suppliers.

#### 4.6 MAXIMUM PURCHASES DURING ANY CALENDAR YEAR

SELLER is not obligated to accept order of GOODS from BUYER aggregating more than \*\*\*\* on a 100% active basis during any calendar year. If SELLER elects not to accept some or all of an order as a result of the preceding sentence, then BUYER may purchase the amount above \*\*\*\* on a 100% active basis during such calendar year which SELLER rejects from alternate suppliers. In the event SELLER elects to accept orders for GOODS above \*\*\*\* on a 100% active basis during any calendar year, the PRICE for such GOODS above \*\*\*\* on a 100% active basis shall be negotiated and agreed to by the PARTIES at such time. Should the PARTIES be unable to agree upon a PRICE, BUYER may purchase any amounts over such \*\*\*\* for such calendar year from alternate suppliers.

#### 4.7 MAINTENANCE PERIODS

During each calendar year during the PERIOD, BUYER and SELLER agree to adjust orders, inventories and shipping schedules to allow SELLER twenty one (21) days of maintenance during which the production of GOODS will be limited. SELLER will plan appropriately to minimize the duration of these maintenance periods. These maintenance periods do not relieve SELLER of its obligations to supply GOODS as herein required.

#### 4.8 SHIPPING WEIGHTS

Absent manifest error, SELLER’s shipping weights shall govern. Shortages or overages of less than 1% of the declared net weight will be disregarded, unless a pattern of shortages occurs. In such case, SELLER will reimburse BUYER for GOODS BUYER paid for but did not receive due to shortages. DELIVERY of a specific shipment that is within 5% of the quantity requested shall be accepted by BUYER as complying with the shipment, although BUYER shall pay for only the quantity of the actual DELIVERY.

#### 4.9 SUPPLY OF NONANOIC ACID

SELLER agrees to purchase Nonanoic Acid (“ACID”) from a supplier with whom BUYER has contracted, so long as the ACID meets the specifications in Exhibit 3 and any modifications agreed upon by the PARTIES in writing. Any new supplier must be acceptable from a quality standpoint to the PARTIES in addition to the ACID therefrom meeting such specifications. Inability to meet BUYER’s orders because of an insufficient supply of ACID from BUYER’s specified source shall not constitute a default hereunder on the part of SELLER. BUYER agrees to provide to SELLER all necessary information and to assist SELLER’s purchase of ACID from BUYER’s specified source throughout the PERIOD. Notwithstanding any provision herein to the contrary, SELLER shall have no liability to BUYER for any defects in GOODS which is directly caused by or directly results from a latent defect in the ACID which was unknown to SELLER at the time of use of such ACID, provided such ACID was analyzed in accordance with SELLER’s standard procedures upon receipt from BUYER’s specified source.

### 5 PRICE AND TAXES

#### 5.1 PRICE

The price(s) for the GOODS shall be as set forth in Exhibit 2 (“PRICE”). The PRICE shall include any and all packaging and labeling materials to prepare GOODS for shipping to BUYER’s sites as described in Exhibit 2,



and labor to load GOODS at SELLER's facility on transportation provided by BUYER in accordance with this AGREEMENT.

## **5.2 TAXES**

BUYER and SELLER hereby agree that the PRICE does not include any sales, use, excise, value-added, services, consumption or other tax or duty applicable to the sale of GOODS hereunder ("TAXES"), the taxable incident of which applies to such sale or occurs after BUYER's receipt of title. Rather, such TAXES (excluding SELLER's income taxes or taxes based on or measured by income) are the responsibility of BUYER. SELLER's invoices shall separately state the amount of any TAXES that SELLER is charging BUYER consistent with this Section 5.2, to the extent applicable. BUYER shall provide and make available to SELLER any resale certificates, information regarding out-of-state or out-of-country sales or use of equipment, materials or services, and other exemption certificates or information reasonably requested by SELLER.

## **5.3 AUDIT CLAUSE**

Since this AGREEMENT allows SELLER to pass through cost changes as part of the pricing provisions of Article 5, SELLER shall maintain all documentation in support of such changes for at least two (2) years following the date of the change. BUYER shall have the right to request an audit of SELLER's supporting documentation, including price change and rebate notification letters from material suppliers, within one (1) year after the change, upon thirty (30) days prior written notice to SELLER. BUYER shall conduct no more than one audit each calendar year. BUYER and SELLER shall mutually agree on the date, time and location of the audit. The audit shall be conducted by BUYER's Internal Controls Department or other mutually agreeable independent third party at BUYER's cost. The auditor shall maintain the confidentiality of all data reviewed which was not previously known by the auditor or available to third parties on a non-confidential basis. This obligation of confidentiality shall continue until the material becomes generally available to the public, is shared with others by the SELLER on a non-confidential basis, is available to the auditor from third parties on a non-confidential basis or upon expiration of a period of three years following the date of the audit, whichever occurs first. The auditor shall return to the SELLER all materials submitted to the auditor, and destroy all working papers, notes, memoranda, reports and other derivatives thereof, upon conclusion of the audit and resolution of any disputed amounts; provided, however the auditor retains one archival copy of the foregoing solely for the purpose of administering its confidentiality obligations. The auditor shall share with the BUYER only the results of the audit. In the event the audit does not support price changes that have been implemented and/or proposed, BUYER and SELLER will meet to review the results and make any appropriate pricing adjustments.

## **6 CONTRACT PERIOD & TERMINATION**

### **6.1 CONTRACT PERIOD**

The period of this AGREEMENT ("PERIOD") shall begin on the EFFECTIVE DATE and end on March 31, 2013, unless earlier terminated in accordance with the provisions hereof.

### **6.2 EARLY TERMINATION DUE TO BREACH**

#### **6.2.1 EARLY TERMINATION.**

In the event that (i) a PARTY breaches any material representation, warranty, covenant or other material obligation set forth in this AGREEMENT, and fails to cure such breach as promptly as practicable but in any event within sixty (60) days of notice of such breach by the other PARTY; or (ii) a PARTY terminates or liquidates its business; then the other PARTY shall be entitled to (a) terminate this AGREEMENT at any reasonable time thereafter with immediate effect and without any penalty, liability or further obligation; (b) in the case of BUYER, purchase GOODS from other suppliers, in which case the obligations of BUYER and SELLER hereunder shall be reduced accordingly; or (c) in the case of BUYER, continue purchases under this AGREEMENT. If this AGREEMENT is terminated because of BUYER's breach or termination or liquidation of its business, BUYER is obligated to pay for any GOODS shipped as of the termination date, plus any inventory and work in process. The termination provisions set out in this Section are not exclusive, and, subject to the limitations set forth herein, are in

addition to, and not in limitation of, the PARTIES’ rights under this AGREEMENT or at LAW. Notwithstanding anything set forth in Section 1, a breach hereunder by one PARTY constituting BUYER will be deemed a breach hereunder by all PARTIES constituting BUYER.

**6.2.2 LEGITIMATE DISPUTES**

This Section 6.2 shall not be construed as giving either BUYER or SELLER a right to terminate this AGREEMENT where a legitimate dispute arises between the PARTIES as to applicability and/or enforcement of any provision hereof.

**6.3 EFFECT OF TERMINATION**

Termination or expiration of this AGREEMENT shall not relieve either PARTY of any liability or obligation it may have to the other arising out of or related to acts or omissions occurring prior to such termination or expiration. In case of termination of this AGREEMENT by BUYER or expiration of this AGREEMENT other than as a result of BUYER’s breach, SELLER shall make available for BUYER’s immediate removal any of BUYER’s property then in the possession of SELLER or any of its subcontractors, or under SELLER’s or any of its subcontractor’s control.

**7 SHIPPING, PAYMENT & DELIVERY**

**7.1 SHIPMENT TERMS; TITLE AND RISK OF LOSS**

Ex-Works SELLER’s site at Batesville, Arkansas, USA. As used in this AGREEMENT, the term “DELIVERY” and its derivatives mean delivery as specified in INCOTERMS 2000. SELLER shall retain title and risk of loss for GOODS in accordance with these terms, except that SELLER will retain the additional responsibility of loading the GOODS at SELLER’s facility in appropriate packaging on transportation provided by BUYER in accordance with this AGREEMENT, at which point title of GOODS will transfer to BUYER. Other materials, including raw materials purchased by SELLER, co-products, wastes and residues resulting from the production of GOODS shall be the property of SELLER.

**7.2 PAYMENT TERMS**

Net 40 days. For all invoices, the due date for payment shall be calculated from the date of invoice, which date will not be earlier than date of loading at SELLER’s facility GOODS corresponding to the invoice, on transportation provided by BUYER in accordance with this AGREEMENT, unless otherwise agreed in writing by the PARTIES for any particular order. BUYER may withhold payment if SELLER’s invoice is incorrect (but only as to the incorrect payment amount) or does not conform to BUYER’s invoicing instructions, which may change from time to time (but only if BUYER has provided SELLER with not less than 30 days prior written notice of such change), but in such event BUYER must promptly inform SELLER in writing the specific details as to why the invoice is incorrect. Payment shall be made in US Dollars. Both PARTIES agree to promptly resolve in good faith any invoicing errors which arise due to discrepancies between SELLER’s invoice and BUYER’s invoicing instructions. For each calendar quarter, invoice PRICE will be estimated based upon the formula defined in Exhibit 2. There shall be a reconciliation of estimated PRICE after such calendar quarter(s), the manner of which is set forth in Exhibit 4 (“PRICE RECONCILIATION PROCEDURE”).

**7.3 FINAL ACCOUNTING**

Upon the termination of this AGREEMENT for any reason, all ACID, unstabilized GOODS and GOODS in SELLER’s custody shall be delivered to BUYER or shall be disposed of lawfully as instructed by BUYER. Upon BUYER’s request, SELLER will make all reasonable efforts to convert unstabilized GOODS into GOODS meeting SPECIFICATIONS. BUYER shall pay all shipping charges, cost of material, cost to destroy any such materials and the PRICE for all such unstabilized GOODS converted into GOODS meeting SPECIFICATIONS, except in the case of termination of this AGREEMENT due to breach by SELLER, in which case SELLER shall pay said charges and costs. After final arrangements have been made for the disposal or shipment thereof, as applicable, SELLER shall

send a final invoice and accounting summary to BUYER, which shall specify any amount owed to SELLER. Final amounts outstanding shall be payable net 30 days after receipt of invoice and statement.

**7.4 LOADING PROCEDURES**

SELLER will follow mutually agreed loading procedures for BUYER provided transportation. SELLER will not load any suspect carriers and will notify BUYER promptly of the same. Further, while carriers are on SELLER's property, SELLER will take reasonable measures to protect such carriers against tampering.

**7.5 LATE PAYMENTS**

If any amount due SELLER hereunder (which is not the subject of a good faith dispute) is not paid within 30 days of its due date, and SELLER has promptly notified BUYER in writing of such unpaid amount, notwithstanding any other provision hereof, SELLER may suspend shipments of GOODS until such payment is received by SELLER.

**8 REPRESENTATIONS AND WARRANTIES**

**8.1 GENERAL REPRESENTATIONS AND WARRANTIES**

SELLER represents and warrants that as of DELIVERY of the GOODS to BUYER, the GOODS shall be in strict compliance with all SPECIFICATIONS applicable to such GOODS and that GOODS will be of good workmanship and free from defects. SELLER MAKES NO OTHER WARRANTIES OR REPRESENTATIONS OF ANY KIND, EXPRESS OR IMPLIED, AS TO MERCHANTABILITY, AS TO FITNESS FOR A PARTICULAR PURPOSE, OR ANY OTHER MATTER WITH RESPECT TO GOODS WHETHER USED ALONE OR IN COMBINATION WITH ANY OTHER MATTER.

**8.2 TITLE AND LIENS**

**8.2.1 GOODS**

SELLER represents and warrants that upon DELIVERY of the GOODS that SELLER shall pass to BUYER, and BUYER shall receive, good and marketable title to such GOODS, free and clear of all liens, claims, security interests pledges, charges, mortgages, deeds of trusts, options, or other encumbrances of any kind arising by or through SELLER (“LIENS”).

**8.2.2 BUYER'S PROPERTY**

SELLER shall at all times keep any of BUYER's property in the possession of SELLER or any of its subcontractors or under SELLER's or any of its subcontractors' control free and clear of any LIENS arising by or through SELLER, and hereby grants BUYER the right to file such protective financing or similar statements to confirm and record BUYER's ownership thereof.

**8.3 INTELLECTUAL PROPERTY RIGHTS**

**8.3.1 OWNERSHIP OF TECHNOLOGY**

All technical data, process information, patents, copyrights, trademarks, trade secrets or similar intellectual property rights (collectively “IP RIGHTS”) on unstabilized and stabilized GOODS obtained from plant operation are the exclusive property of SELLER. All IP RIGHTS received from BUYER for stabilizing GOODS are the exclusive property of BUYER. All information available to either PARTY separate from their relationship hereunder is excluded from the foregoing provisions. If either PARTY desires to use the other PARTY's IP RIGHTS with a third party, a mutually agreeable licensing agreement may be negotiated at the option of the licensor.

### **8.3.2 PATENT INDEMNITY**

SELLER agrees to indemnify BUYER against all damages, costs and expenses which result from claims of infringement of U.S. and non-U.S. patents brought against BUYER on account of the process used by SELLER, using technology selected by SELLER, to manufacture GOODS under this AGREEMENT. BUYER agrees to indemnify SELLER against all damages, costs and expenses which result from a claim of infringement of U.S. and non-U.S. patents on account of the manufacture and sale of GOODS or any part of the GOODS under this AGREEMENT using technology selected by BUYER. Either PARTY claiming indemnity under this Section 8.3.2 shall notify the other PARTY promptly upon receipt of notice of any claim. The indemnitor shall, at its option, have the right to assume the defense of any such lawsuit, and to settle any claim. If it elects not to assume the defense, the indemnitor shall reimburse reasonable attorney's fees incurred by the indemnitee. The indemnitee agrees to make available any information in its possession reasonably necessary for the defense of such suit.

### **8.3.3 GRANT OF LICENSE**

As long as SELLER is supplying GOODS to BUYER exclusively, BUYER grants SELLER a fully-paid, non-exclusive license, without sub-licensing rights, under any BUYER patents protecting processes for the manufacture of GOODS and reduced to practice prior to the termination of this AGREEMENT. As long as this AGREEMENT is in effect, SELLER grants BUYER a fully-paid, non-exclusive license, without sub-licensing rights (except as may be specifically set forth herein), under any SELLER patents protecting processes for the manufacture of GOODS from fatty acid anhydride and sodium phenol sulfonate and reduced to practice prior to the termination of this AGREEMENT.

## **8.4 CORPORATE AUTHORITY**

The PARTIES represent, warrant and covenant that (i) each PARTY is and shall be at all times a legal entity validly existing under the laws of its jurisdiction with the power to own all of its properties and assets and to carry on its business as it is currently being conducted; (ii) each PARTY has the power to execute and deliver this AGREEMENT and to perform its obligations under this AGREEMENT; (iii) each PARTY's officer executing this AGREEMENT is duly authorized to execute and deliver this AGREEMENT on its behalf, and no further corporate proceedings are necessary with respect thereto; (iv) each PARTY is not required to obtain the consent of any third party, including the consent of any party to any contract to which it is a party, in connection with execution and delivery of this AGREEMENT and performance of its obligations under this AGREEMENT; and (v) each PARTY's execution and delivery of this AGREEMENT and performance of its obligations under this AGREEMENT do not (a) violate any provision of its articles of incorporation or by-laws or equivalent corporate provision as currently in effect, or (b) conflict with, result in a breach of, constitute a default under (or an event which, with notice or lapse of time or both, would constitute a default under), accelerate the performance required by, result in the creation of any lien upon any of its properties or assets under, or create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under, any contract to which it is a party or by which any of its properties or assets are bound.

## **8.5 COMPLIANCE WITH LAWS AND SAFETY MEASURES**

### **8.5.1 LAWS**

SELLER represents, warrants and covenants that SELLER is and shall at all times, be in compliance with all applicable governmental, legal, regulatory and professional requirements in the manufacturing and sale of GOODS hereunder, including without limitation all applicable laws, codes regulations, rules, ordinances, judgments, orders and decrees, including, without limitation, those related to IP RIGHTS, fair trade and anti trust, customs, immigration, labor, employment, working conditions, worker health and safety, branding and labeling, adulteration and contamination, board of health and environmental matters, privacy laws, regulations, rules, opinions or other governmental and/or self-regulatory group requirements or statements of position (collectively "LAWS").

## **8.5.2 LICENSES, CONSENTS, PERMITS**

SELLER represents, warrants and covenants that SELLER has obtained and maintains in full force and effect all licenses, consents, permits, approvals, authorizations and the like required by LAW to perform SELLER’S obligation under this AGREEMENT (collectively “PERMITS”). SELLER shall promptly notify BUYER if SELLER receives any notice, demand, summons or complaint from any governmental or regulatory authority, agency or other body relating to the GOODS and parts thereof or SELLER’S performance in accordance with this AGREEMENT.

## **8.5.3 UNDULY ONEROUS OR EXPENSIVE**

If in SELLER’s or BUYER’s judgment compliance with LAWS or PERMITS made applicable after the EFFECTIVE DATE is unduly onerous or expensive, BUYER and SELLER will endeavor to renegotiate the PRICE. If SELLER and BUYER fail to reach an agreement upon a new PRICE, or cannot agree that such compliance is unduly onerous or expensive, in either case within sixty (60) days after renegotiation is requested, BUYER or SELLER shall thereafter have the right to terminate this AGREEMENT by giving the other PARTY at least sixty (60) days prior written notice of such termination.

## **8.6 APPLICABILITY AND SURVIVAL OF REPRESENTATIONS AND WARRANTIES**

SELLER’s representations, warranties and covenants set forth in the Section entitled GENERAL REPRESENTATIONS AND WARRANTIES shall remain in effect with respect to each delivery of the GOODS to BUYER for a period of ninety (90) days after receipt of GOODS at the BUYER’S applicable manufacturing facility. Any other of SELLER’s representations, warranties, covenants and other obligation set forth in this AGREEMENT and all of BUYER’s representations, warranties, covenants and other obligations set forth in this AGREEMENT shall be subject to all applicable statutes of limitation, similar statutes and other similar defenses as provided by law or equity.

## **9 INDEMNIFICATION AND INSURANCE**

### **9.1 SELLER’S INDEMNIFICATION OF BUYER**

Subject to the limitations set forth herein, SELLER shall indemnify and hold BUYER (including BUYER’s officers, directors, employees, affiliates, agents, contractors, successors, and assigns) (“BUYER INDEMNITEE”) harmless from and against any and all liabilities, claims, demands, damages, costs, expenses (including attorneys’ fees and internal costs associated with internal attorney work) or money judgments (collectively “CLAIMS”) incurred by, or rendered against BUYER (whether based on facts now known or later discovered) arising out of the following: (a) the failure of SELLER or those acting under or for SELLER to comply with any federal, state and local LAWS (including those related to the environment, health and safety) in connection with SELLER’s performance of this AGREEMENT (including SELLER’s ownership or operation of its business and facilities); (b) any alleged or actual contamination of the environment or damage to natural resources at a facility owned or operated by SELLER or a facility/location selected by SELLER for its disposal of wastes or any other facility at which SELLER’s wastes may be released or threatened to be released, including any liability imposed by any federal, state or local laws, regulations and ordinances, including CERCLA, RCRA, or comparable and applicable state legal statute or regulation or any extension or revision thereof; (c) any alleged or actual damage to any property [including damage to any environmental medium (air, water, groundwater, soil) or to any natural resources] or any alleged or actual injury (including death) of persons (including SELLER’s employees or those acting under or for SELLER) arising out of SELLER’s performance of this AGREEMENT.

### **9.2 BUYER’S INDEMNIFICATION OF SELLER**

Subject to the limitations set forth herein, BUYER shall indemnify and hold SELLER (including SELLER’s officers, directors, employees, affiliates, agents, successors, and assigns) (“SELLER INDEMNITEE”) harmless from and against any and all CLAIMS incurred by, or rendered against SELLER (whether based on facts now known or later discovered) arising out of the following: (a) the failure of BUYER or those acting under or for BUYER to comply with any federal, state and local LAWS (including those related to the environment, health and

safety) in connection with BUYER’s performance of this AGREEMENT (including BUYER’s ownership or operation of its business and facilities); (b) any alleged or actual contamination of the environment or damage to natural resources at a facility owned or operated by BUYER or a facility/location selected by BUYER for its disposal of wastes or any other facility at which BUYER’s wastes may be released or threatened to be released, including any liability imposed by any federal, state or local laws, regulations and ordinances, including CERCLA, RCRA, or comparable and applicable state legal statute or regulation or any extension or revision thereof; (c) any alleged or actual damage to any property [including damage to any environmental medium (air, water, groundwater, soil) or to any natural resources] or any alleged or actual injury (including death) of persons (including BUYER’s employees or those acting under or for BUYER) arising out of BUYER’s breach of any representation, warranty, covenant or other obligation set forth in this AGREEMENT.

**9.3 INDEMNIFICATION PROCEDURES**

**9.3.1 BUYER INDEMNITEE**

BUYER INDEMNITEE shall promptly and in any event within thirty (30) calendar days after receipt of notice of the commencement of any third party legal proceedings against BUYER INDEMNITEE for which indemnity may be sought under this Section 9, notify SELLER thereof, provided that the failure to provide such notice shall not relieve SELLER of its indemnity obligations hereunder unless and to the extent SELLER is prejudiced by such delay. Upon BUYER INDEMNITEE’s request, SELLER shall assume, at its own expense, the defense of any such third party CLAIM with reputable counsel reasonably acceptable to BUYER INDEMNITEE. SELLER shall be entitled to settle any such third party CLAIM, with BUYER INDEMNITEE’s written consent (which may be granted or withheld in BUYER INDEMNITEE’s sole discretion unless there is a complete settlement which includes a full release of the BUYER INDEMNITEE and no payment of money or other consideration by the BUYER INDEMNITEE, in which case BUYER INDEMNITEE’s consent is not required). BUYER INDEMNITEE, at SELLER’s cost, shall reasonably cooperate with SELLER in the defense of such action as SELLER may reasonably request.

**9.3.2 SELLER INDEMNITEE**

SELLER INDEMNITEE shall promptly and in any event within thirty (30) calendar days after receipt of notice of the commencement of any third party legal proceedings against SELLER INDEMNITEE for which indemnity may be sought under this Section 9, notify BUYER thereof, provided that the failure to provide such notice shall not relieve BUYER of its indemnity obligations hereunder unless and to the extent BUYER is prejudiced by such delay. Upon SELLER INDEMNITEE’s request, BUYER shall assume, at its own expense, the defense of any such third party CLAIM with reputable counsel reasonably acceptable to SELLER INDEMNITEE. BUYER shall be entitled to settle any such third party CLAIM, with SELLER INDEMNITEE’s written consent (which may be granted or withheld in SELLER INDEMNITEE’s sole discretion unless there is a complete settlement which includes a full release of the SELLER INDEMNITEE and no payment of money or other consideration by the SELLER INDEMNITEE, in which case SELLER INDEMNITEE’s consent is not required). SELLER INDEMNITEE, at BUYER’s cost, shall reasonably cooperate with BUYER in the defense of such action as BUYER may reasonably request.

**9.4 INSURANCE**

**9.4.1 GENERAL INSURANCE POLICY REQUIREMENTS**

For the PERIOD, SELLER shall maintain at its own expense the insurance coverage set forth in the Section entitled INSURANCE COVERAGE in full force and effect during the PERIOD of this AGREEMENT with underwriters reasonably acceptable to BUYER and having an A. M. Best’s rating of “A VIII” or better or its equivalent rating where not available. SELLER shall provide BUYER with a copy of Certificate(s) of Insurance. All insurance policies shall provide for a thirty (30) calendar days prior written notice to BUYER in the event of termination, cancellation, non renewal or a material change to the requirements as set forth in this Section entitled INSURANCE. All insurance policies shall be primary without right of contribution from any of BUYER’s insurance carriers.

**9.4.2 INSURANCE COVERAGE**

Commercial General Liability including Products Completed Operations and Blanket Contractual “occurrence form” coverage with the following limits of liability:

- (i) \$5,000,000 per occurrence combined single limit for Bodily Injury and Property Damages; and
- (ii) Minimum \$5,000,000 limit of liability per occurrence for Products-Completed Operations, Product Liability and Contractual Liability to include liability assumed under this AGREEMENT.

**9.4.3 ADDITIONAL INSURED**

The Commercial General Liability policy shall include BUYER INDEMNITEE as additional insured in connection with the activities contemplated by the scope of this AGREEMENT to be stated explicitly on the Certificate(s) of Insurance.

**9.4.4 WAIVER OF SUBROGATION**

SELLER hereby irrevocably and unconditionally waives and shall cause its insurers to irrevocably and unconditionally waive any rights of subrogation for claims against BUYER INDEMNITEE to be documented to BUYER’s reasonable satisfaction.

**9.4.5 LIABILITY OF SELLER**

SELLER’s compliance with this Section shall not relieve SELLER of any liability to BUYER INDEMNITEE arising under any other provision of this AGREEMENT except to the extent that such monies recovered are paid to BUYER INDEMNITEE to reduce SELLER’s obligations to BUYER INDEMNITEE. SELLER shall be liable for any and all deductibles it may incur in connection with any of the policies listed in the Section entitled INSURANCE.

**9.5 LIMITATION ON LIABILITY**

IN NO EVENT SHALL BUYER’S OR SELLER’S LIABILITY, ONE TO THE OTHER, ARISING OUT OF OR RELATING TO THE RESPECTIVE OTHER PARTY’S BREACH OF ANY REPRESENTATION, WARRANTY, COVENANT OR OTHER OBLIGATION SET FORTH IN THIS AGREEMENT EXCEED USD 13 MILLION; PROVIDED HOWEVER, THAT THIS LIMITATION OF LIABILITY SHALL NOT APPLY TO CLAIMS ARISING OUT OF OR RELATING TO BAD FAITH, INTENTIONAL OR WILLFUL MISCONDUCT OF A PARTY, ITS EMPLOYEES OR OTHER REPRESENTATIVES, OR TO THIRD-PARTY CLAIMS FOR PERSONAL INJURY OR PROPERTY DAMAGE TO THE EXTENT CAUSED BY A BREACH OF ANY REPRESENTATION, WARRANTY, COVENANT OR OTHER OBLIGATION SET FORTH IN THIS AGREEMENT.

**10 MISCELLANEOUS PROVISIONS**

**10.1 CONFIDENTIALITY**

Prior to the EFFECTIVE DATE and during the PERIOD of this AGREEMENT, SELLER, its subcontractors and their employees may become privy, whether in writing, oral or any other form, and even if not marked as confidential, restricted, proprietary or other similar designation, with certain proprietary, technical and business information, and materials of BUYER, its parents, its affiliates and subsidiaries, including information relative to the BUYER’s, its parent’s, its affiliates’ and subsidiaries’ interests in specific materials or areas of business, drawings, plans, SPECIFICATIONS, know-how, discoveries, production methods and any intended use or sale of the GOODS which is the valuable property of BUYER, its parents, its affiliates and subsidiaries and certain proprietary, technical and business information furnished to BUYER, its parents, its affiliates and subsidiaries by a third party on a confidential basis (collectively “CONFIDENTIAL INFORMATION”). SELLER shall neither analyze, disassemble for reverse engineering, or otherwise attempt to identify the intrinsic nature of

CONFIDENTIAL INFORMATION nor use nor disclose to any third party, other than its subcontractors, and shall cause its employees, subcontractors and their employees to neither analyze, disassemble for reverse engineering, or otherwise attempt to identify the intrinsic nature of CONFIDENTIAL INFORMATION nor use nor disclose to any third party, any CONFIDENTIAL INFORMATION other than for SELLER’s performance in accordance with this AGREEMENT. The commitments set forth in the preceding sentence shall not extend to any portion of CONFIDENTIAL INFORMATION, (i) which is already in SELLER’s lawful possession at the time of disclosure by the BUYER, as established by relevant documentary evidence satisfactory to BUYER; (ii) which is through no act on the part of the SELLER, generally available to the public; (iii) which corresponds to that furnished by the BUYER to any third party on a non-confidential basis; or (iv) which is required to be disclosed by law or government regulation, provided that SELLER provides reasonable prior notice of such required disclosure to the BUYER. SELLER shall take any appropriate reasonable security precautions requested by BUYER including, without limitation, prohibiting visitors during production of the GOODS. SELLER shall, at BUYER’s option, return, or destroy all CONFIDENTIAL INFORMATION promptly upon the earlier of termination or expiration of this AGREEMENT. All CONFIDENTIAL INFORMATION shall be and remain the sole property of the BUYER, its parents, its affiliates and subsidiaries, and SELLER shall not have or obtain any rights therein. BUYER shall be entitled to specific performance and injunctive relief as remedies for any breach or threatened breach of any provision of this Section, without the necessity of posting bond or proving actual damages, which remedies shall not be deemed to be exclusive remedies for such breach or threatened breach by SELLER, but shall be in addition to all other available remedies. The rights and obligations as set forth in this provision shall survive the termination or expiration of this AGREEMENT.

**10.2 FORCE MAJEURE**

Acts of God, fires, floods, weather, or other catastrophes, epidemics or quarantine restrictions, or other cause(s) beyond the reasonable control of a PARTY, not reasonably foreseeable, not caused by acts or omissions of the PARTY affected and that could not have been avoided through a work around plan which prevent SELLER from providing or procuring the GOODS, or BUYER from receiving or using GOODS (“FORCE MAJEURE EVENT”), shall suspend such affected PARTY’s obligation to perform hereunder during the period required to remove such FORCE MAJEURE EVENT. Such affected PARTY shall promptly notify the other PARTY of the FORCE MAJEURE EVENT and the cause of such FORCE MAJEURE EVENT. If performance by either PARTY is suspended for any period of one hundred and twenty (120) consecutive days because of a Force Majeure Event, then either PARTY shall be entitled, at any time thereafter, while such FORCE MAJEURE EVENT continues, to terminate this AGREEMENT without any penalty, liability or further obligation therefore, immediately upon notice of such termination to the PARTY. In the case of FORCE MAJEURE EVENT affecting SELLER, BUYER may purchase GOODS from other suppliers, in which case the obligations of BUYER and SELLER hereunder shall be reduced accordingly.

**10.3 ASSIGNMENT**

None of the rights, duties, or obligations under this AGREEMENT may be assigned, delegated or transferred by either PARTY without the other PARTY’s written consent, which consent will not be unreasonably withheld, delayed or conditioned. SELLER will not subcontract any portion of this AGREEMENT without BUYER’s written consent, which consent may not be unreasonably withheld, delayed or conditioned. Notwithstanding the preceding, BUYER may assign, without the consent of SELLER, all of its rights, duties and obligations under this AGREEMENT (i) to an affiliate of BUYER, or (ii) to a non-affiliated company in connection with the sale (including by merger or consolidation) of all or substantially all of the assets of the business to which this AGREEMENT is related. Notwithstanding the preceding, SELLER may assign, without the consent of BUYER, all of its rights, duties and obligations under this AGREEMENT in the event of the sale (including by merger or consolidation) of its manufacturing facility in Batesville, Arkansas; provided, however, that if such facility is sold to a competitor of BUYER (as determined at the time of any such sale) whose primary business is in the following business segments: \*\*\* , BUYER may terminate this AGREEMENT without penalty within thirty (30) days following its receipt of notice that the AGREEMENT has been so assigned.



**10.4 CONTRACTOR STATUS**

The PARTIES are and shall remain independent contractors with respect to each other, and nothing in this AGREEMENT shall be construed to place the PARTIES in the relationship of partners, joint ventures, fiduciaries or agents. Neither PARTY is granted any right nor authority to assume nor to create an obligation nor responsibility, express or implied, on behalf of or in the name of the other nor bind the other in any manner whatsoever.

**10.5 CHANGE IN SELLER'S OWNERSHIP AND/OR CHANGE IN CONTROL**

SELLER shall notify BUYER in writing as promptly as legally possible of (i) any change of 50% or greater in ownership of SELLER; or (ii) SELLER selling, transferring or otherwise disposing all or substantially all of its assets used in any way to perform its obligations set forth in this AGREEMENT, provided SELLER's failure to provide such notification shall not be a BREACH of this AGREEMENT.

**10.6 MODIFICATION AND WAIVER**

No waiver of any provision of this AGREEMENT shall be valid or binding unless in writing and executed by the PARTY against whom enforcement is sought. No waiver by either PARTY of any breach, or the failure of either PARTY to enforce any of the terms and conditions of this AGREEMENT, shall affect, limit or waive that PARTY's right to enforce and compel compliance with all terms and conditions of this AGREEMENT, or to terminate this AGREEMENT according to its terms. No modification or amendment of any provision of this AGREEMENT shall be valid or binding unless (i) executed and delivered by both PARTIES hereto in writing subsequent to the date hereof, (ii) it specifically refers to this AGREEMENT, and (iii) it specifically states that it is intended to, and shall take precedence over, this AGREEMENT. Any other modification, amendment or waiver of any provision of this AGREEMENT shall be null and void.

**10.7 INVALIDITY OR ILLEGALITY**

In the event any provision of this AGREEMENT is declared to be void, invalid or unlawful by any court or tribunal of competent jurisdiction, such provision shall be deemed severed from the remainder of this AGREEMENT and the balance shall remain in full force and effect. The PARTIES shall undertake to replace the invalid, ineffective, or unenforceable provisions with valid, effective, and enforceable provisions, which, in their commercial effect, approximate as closely as possible the intentions of the PARTIES as expressed in the invalid, ineffective, or unenforceable provisions.

**10.8 NOTICES**

All notices given hereunder shall be in writing and shall be deemed to have been duly given if addressed or sent to the PARTIES at the following addresses and facsimile numbers or to such other additional address or facsimile number as any PARTY shall hereafter specify by notice to the other PARTY and the PARTIES' receipt of such notice:

SELLER: FutureFuel Chemical Company  
2800 Gap Road  
Batesville, Arkansas 72501 USA  
Attn: Gary Hess

BUYER: The Procter & Gamble Manufacturing Company  
5299 Spring Grove Avenue  
Cincinnati, OH 45217, USA  
Attn: Vilas Deshpande

**10.9 HEADINGS**

Section headings hereof reference and are for convenience only and shall not affect the interpretation hereof.

**10.10 COUNTERPARTS**

The PARTIES may execute any number of counterparts to this AGREEMENT, each of which shall be an original instrument, but all of which taken together shall constitute one and the same AGREEMENT. Signed facsimile copies of this AGREEMENT shall bind the PARTIES to the same extent as original documents.

**10.11 ENTIRETY**

This AGREEMENT, which includes the recitals and the Exhibits attached hereto or incorporated by reference and made part of this AGREEMENT or subsequently incorporated in this AGREEMENT, constitutes the entire understanding and agreement between the PARTIES regarding the subject matter of this AGREEMENT, and supersedes all prior or contemporaneous agreements, oral or written, made between the PARTIES relating such subject matter.

**10.12 AGREEMENT PRECEDENCE**

For their convenience, the PARTIES may use, from time to time, their standard purchase orders, site level execution agreements, sales releases, delivery schedules, acknowledgments, invoices and other similar preprinted forms. In the event of a conflict between this AGREEMENT and any of these documents that purport to govern the same matters set forth herein, this AGREEMENT shall prevail, except as otherwise set forth in the Section entitled MODIFICATION AND WAIVER.

**10.13 GOVERNING LAW, CONSTRUCTION AND LANGUAGE**

This AGREEMENT shall be governed by and interpreted for any and all purposes in accordance with the internal laws of Ohio applicable to contracts made and to be performed wholly within such state, without reference to principles of conflicts of laws. The courts sitting in, or having principal jurisdiction over Ohio shall have non-exclusive jurisdiction of all disputes hereunder. Each PARTY hereto irrevocably agrees that service of process upon it by certified mail-return receipt requested, addressed to it at its address set forth in the Section entitled NOTICES, shall constitute good and effective service for all purposes.

The PARTIES understand the English language and are fully aware of all terms and conditions contained herein. If any translation of this AGREEMENT is made, the English language version shall always continue to govern.

The PARTIES agree that (i) the United Nations Convention on International Sale of Goods shall have no force or effect on transactions under or relating to this AGREEMENT; (ii) no trade usage shall be used to explain or supplement this AGREEMENT even if either or both PARTIES were aware or should have been aware of such trade usage; and (iii) this AGREEMENT prevails over any general terms and conditions of trade.

**10.14 SURVIVAL PROVISIONS**

Neither the expiration nor termination of this AGREEMENT shall affect such of the provisions of this AGREEMENT that expressly provide that they shall operate after any such expiration or termination or which of necessity must continue to have effect after such expiration or termination, notwithstanding that the clauses themselves do not expressly provide for this.

**10.15 PUBLIC DISCLOSURES**

SELLER shall not in any way disclose the terms and conditions of this AGREEMENT without the prior written consent of BUYER (which consent may not be unreasonably withheld, delayed or conditioned) or except as required by law (and BUYER hereby acknowledges that SELLER has an obligation under the Securities Exchange Act of 1934, as amended, and other rules and regulations of the Securities and Exchange Commission to disclose this AGREEMENT as a material agreement to which SELLER is a party). For the avoidance of doubt SELLER shall neither issue press releases nor any other publication regarding the terms and conditions of this AGREEMENT,

including statements as to the existence of a relationship between the PARTIES, nor use BUYER's, its parents', its affiliates' or subsidiaries' corporate names or trademarks, without the prior written consent of BUYER (which consent may not be unreasonably withheld, delayed or conditioned) or except as required by law (and BUYER hereby acknowledges that SELLER has an obligation under the Securities Exchange Act of 1934, as amended, and other rules and regulations of the Securities and Exchange Commission to disclose this AGREEMENT as a material agreement to which SELLER is a party). Where SELLER disclosure of this AGREEMENT or parts thereof is required by law, SELLER will provide BUYER a draft copy of any disclosures to be made to meet SELLER's legal obligations, at the earliest possible time prior to making said disclosures. BUYER shall have two (2) business days from receiving such draft copy to provide SELLER with additional redaction. SELLER agrees to incorporate BUYER's additional redaction to the extent that SELLER's compliance with its legal reporting obligations is not impeded, as determined by SELLER's counsel.

**10.16 SUCCESSORS AND ASSIGNS**

All provisions of this AGREEMENT are binding upon, inure to the benefit of and are enforceable by or against the PARTIES and their respective heirs, executors, administrators or other legal representatives and permitted successors and assigns.

**10.17 THIRD-PARTY BENEFICIARY**

This AGREEMENT is solely for the benefit of the parties and their respective successors and permitted assigns, and no other person has any right, benefit, priority or interest under or because of the existence of this AGREEMENT.

**10.18 CONSTRUCTION**

Unless the context of this AGREEMENT clearly requires otherwise: (i) references to the plural include the singular and vice versa; (ii) references to any person include such person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this AGREEMENT; (iii) references to one gender include all genders; (iv) "including" is not limiting; (v) "or" has the inclusive meaning represented by the phrase "and/or"; (vi) the words "hereof", "herein", "hereby", "hereunder" and similar terms in this AGREEMENT refer to this AGREEMENT as a whole and not to any particular provision of this AGREEMENT; (vii) section and Exhibit references are to this AGREEMENT unless otherwise specified; and (viii) reference to any agreement (including this AGREEMENT), document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof and, if applicable, the terms hereof.

BUYER and SELLER have caused their respective duly authorized representatives to execute this AGREEMENT, acting as agent(s) as set forth herein.

**Legal Entity:**  
**The Procter & Gamble Manufacturing Company**

**Legal Entity:**  
**FutureFuel Chemical Company**

**By (Signature):** /s/ Stefan van Straelen  
**Printed:** Stefan van Straelen  
**Title:** Vice President, Global Chemical Purchases  
**Date:** June 1, 2008

**By (Signature):** /s/ Gary Hess  
**Printed:** Gary Hess  
**Title:** Vice President  
**Date:** May 8, 2008

**Legal Entity:**  
**The Procter & Gamble Distributing LLC**

**By (Signature):** /s/ Jorge Mesquila  
**Printed:** Jorge Mesquila  
**Title:** President, Global Fabric Care  
**Date:** 6/5/08

**Legal Entity:**  
**Procter & Gamble International Operations SA**

**By (Signature):** /s/ Jorge Meszaros  
**Printed:** Jorge Meszaros  
**Title:** Vice President, Latin America Fabric Care  
**Date:** 6/5/08

EXHIBIT 1

RESTRICTED

The Procter & Gamble Company - Technical Standard  
INDIVIDUAL RAW MATERIAL SPECIFICATION (IRMS)  
ORIGINATOR: \*\*\*

GCAS: \*\*\*

Is ATS: \*\*\*

SAP Description: NONANOYLOXY BENZENE SULFONATE (NOBS) EXT

GENERAL

Description: NONANOYLOXY BENZENE SULFONATE (NOBS) EXTRUDATES

Local Description: Extrudate of Nonanoyloxy Benzene Sulfonate (NOBS) with binders and solubilising agents.

Other Names:

Is this Standard a Template: NO

MRMS GCAS Code:

MRMS SAP Description:

Supersedes Code	SAP Description	Supersedes On Date
***	NONANOYLOXY BENZENE SULFONATE (NOBS) EXT	

REASON FOR CHANGE: \*\*\*

Is this an Intermediate Material:

Base Unit of Measure: KILOGRAM

Shelf Life:

Shipping Hazard Classification:

Shipping/Receiving/Storage Information:

COMMENTS:

PERFORMANCE SPECIFICATIONS

Check associated Master Specification for additional requirements, (if Master exists.)

Chg	Characteristic (Ch) Characteristic Specifics (CS) Common Performance Specification Code (CPS)	Test Method (GCAS) Origin (Orgn) Test Method Number (TM#) Reference Document (Ref) Test Method Specifics (SP)	Sampling (SM) Subgroup (SG)	Plant Testing	Lower Spec Limit (LSL) Lower Target (LTGT) Target (TGT) Upper Target (UTGT) Upper Spec Limit (USL)	Unit of Measure (UoM) Report to Nearest (RTN) Report Type (RT) Action (AC)	Release Criteria	Criticality (CR) Basis (BA)	Test Group (TG) Application (AP)
***		***	***	***	***	***	***	***	***

“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

**EXHIBIT 1**

**RESTRICTED**

GCAS: \*\*\* SAP Description: **The Procter & Gamble Company - Technical Standard  
INDIVIDUAL RAW MATERIAL SPECIFICATION (IRMS)  
NONANOYLOXY BENZENE SULFONATE (NOBS) EXT**

Chg	Characteristic (Ch)	Test Method (GCAS) Origin (Orgn)	Sampling (SM) Subgroup (SG)	Plant Testing	Lower Spec Limit (LSL)	Unit of Measure (UoM)	Release Criteria	Criticality (CR) Basis (BA)	Test Group (TG) Application (AP)
	Characteristic Specifics (CS) Common Performance Specification Code (CPS)	Test Method Number (TM#) Reference Document (Ref) Test Method Specifics (SP)			Lower Target (LTGT) Target (TGT) Upper Target (UTGT)	Report to Nearest (RTN) Report Type (RT) Action (AC)			
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“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.  
CSS APPROVED Effective Date 3Apr2008 GMT - Printed 03Apr2008 Page 2 of 4

**EXHIBIT 1**

**RESTRICTED**

GCAS: \*\*\* SAP Description: The Procter & Gamble Company - Technical Standard  
**INDIVIDUAL RAW MATERIAL SPECIFICATION (IRMS)**  
NONANOYLOXY BENZENE SULFONATE (NOBS) EXT

Chg	Characteristic (Ch) Characteristic Specifics (CS) Common Performance Specification Code (CPS)	Test Method (GCAS) Origin (Orgn) Test Method Number (TM#) Reference Document (Ref) Test Method Specifics (SP)	Sampling (SM) Subgroup (SG)	Plant Testing	Lower Spec Limit (LSL) Lower Target (LTGT) Target (TGT) Upper Target (UTGT) Upper Spec Limit (USL)	Unit of Measure (UoM) Report to Nearest (RTN) Report Type (RT) Action (AC)	Release Criteria	Criticality (CR) Basis (BA)	Test Group (TG) Application (AP)
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“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

**EXHIBIT 1**

**RESTRICTED**

GCAS:        \*\*\*    SAP Description:        **The Procter & Gamble Company - Technical Standard  
INDIVIDUAL RAW MATERIAL SPECIFICATION (IRMS)  
NONANOYLOXY BENZENE SULFONATE (NOBS) EXT**

Chg	Characteristic (Ch)	Test Method (GCAS) Origin (Orgn)	Sampling (SM)	Plant	Lower Spec Limit (LSL)	Unit of Measure (UoM)	Release Criteria	Criticality (CR) Basis (BA)	Test Group (TG) Application (AP)
	Characteristic Specifics (CS) Common Performance Specification Code (CPS)	Test Method Number (TM#) Reference Document (Ref) Test Method Specifics (SP)	Subgroup (SG)	Testing	Lower Target (LTGT) Target (TGT) Upper Target (UTGT) Upper Spec Limit (USL)	Report to Nearest (RTN) Report Type (RT) Action (AC)			
	***	***	***		***	***	***	***	***
	***	***	***		***	***	***	***	***
	***	***	***		***	***	***	***	***
	***	***	***		***	***	***	***	***

**REFERENCES**

GCAS Code	SAP Description	Type
***	***	***
***	***	***
***	***	***
***	***	***

**Approved Supplier List**

GCAS Code	SAP Description
***	***

“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.  
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EXHIBIT 1

Procter & Gamble Fabric & Home Care

Supersedes:	Issue 1	Issue: 2
Date:	4 May 2006	Page: 1 of 1

To Be Read In Conjunction With Structured Raw Material Specifications

1. **GENERAL:**

Human and Environmental Safety Considerations, Regulated Products Statements & other considerations of supply: It is Procter & Gamble’s intent and responsibility to provide its customers with products which perform as expected, and which are safe for humans and are also safe in the environment. To ensure that these obligations are properly discharged, there are certain procedures with regard to raw materials which must be followed. These procedures are to permit Procter & Gamble Current Business Support, prior to shipment, to make a determination whether any process modifications or questionable material quality will have any negative effect on Procter & Gamble processes, finished products, the human and environmental safety of products; as well as to add to our basic safety information.

- \* The Supplier shall notify P&G prior to making any significant changes to the material defined in this RMS. ‘Significant’ changes mean changes in the production process, raw materials, feed stocks, or equipment having affect to the product specification, or otherwise affecting the material as supplied, as described in the ‘Chemical Description’ in this specification, as well as changes in the production location(s) or packaging involved, and shall obtain P&G’s agreement that such changes do not render the material supplied hereunder unsuitable for P&G’s use prior to instituting such changes. Such v2agreement from P&G will not be unreasonably withheld.
- \* The Supplier acknowledges the P&G will, from time to time, require access to results of studies and tests conducted by the Supplier, or for the Supplier, concerning human and environmental safety of products supplier to P&G b y the Supplier. The Supplier is prepared to provide access to P&G to such results of studies and tests upon request of P&G, provided that P&G specifies the purpose for which P&G requires such results and uses such information strictly for the purpose specified. The form (e.g. letter of access or disclosure of results), the extent (e.g. only summary of results or study itself) and the conditions (e.g. secrecy agreement, license fee) upon which such access will be provided to P&G will be determined upon a case-by-case basis. The Supplier will not be required to provide P&G with proprietary information developed by or for third parties.

\* **Material Safety Data Sheets: It is the supplier’s responsibility to notify the Procter and Gamble Company of information pertinent to the industrial health and safety aspects of the chemical.**

The supplier shall provide a current MSDS to each destination to which the chemical has been shipped. Suppliers shall provide updated MSDS sheets, as they become available, to each shipment destination.

**Directing Attention to Significant Changes:** Suppliers of chemicals and raw materials shall specifically notify P&G of significant changes in Material Safety Data Sheets (MSDS). The identification of changes to MSDS shall be effected by the provision by the Supplier to P&G of an updated MSDS as they become available to each shipment destination that received the material within the preceding twelve months. The changes will be highlighted (e.g. by vertical lines at the margin of the sheet) to draw attention to the significant change relative to prior versions of the MSDS.

**Significant Change:** A change in MSDS information which results in the establishment of a revised exposure limit for an existing route of exposure, in the establishment of a new exposure limit for an additional route of exposure, or a change in the DOT shipping/environmental hazard classifications is considered to be significant. Additionally, any change in the MSDS resulting from new test data, from regulatory agency direction, or from a change in the specified personal protective equipment will be considered significant.

**Mailing Address:** In addition to distribution of MSD Sheets to the locations to which materials have been shipped, one additional copy shall be sent to: Global F&HC R&D HS&E Leader, P&G, F&HCIC, 5299 Spring Grove Avenue, Box 365, Cincinnati, Ohio 45217

Identifications of Shipping Papers with Raw Material Specification Number

To aid in identification and preventing misuse of raw materials, the suppliers are required to include the “RMS No.” on each shipper’s invoice, and shipper’s analysis report.

2. **QUALITY ASSURANCE:**

- (i) Suppliers are required to provide data via a Certificate of Analysis.
- (ii) Certificate of Analysis (COA)  
In order to provide reassurance on quality, suppliers are required to provide each P&G receiving plant with a COA which covers those Items listed below, along with or ahead of each delivery.  
The COA/shipping documents should contain the following information, items marked \* are mandatory on the COA, omission may result in P&G receiving sites rejecting deliveries:

Supplier information	Product information	Analytical Results
> Name & Address of Supplier	* P&G RMS No.	* Target value/limits/units as specified on this RMS.
> Name & Address of Manufacturer (if different to Supplier)	> P&G Order No.	* Analytical Result in the same units
> Contact Name, Position & Telephone/FAX No. to be used in case of questions.	* Supplier’s product Trade Name or chemical name	
	* Supplier’s Batch/Lot No. or other unique identification.	
	> For bulk deliveries (optional) - Tank car identity /Name of Ship or Vessel & Date loaded.	

Action Required	Old Designation	Description	Frequency of reporting
REPORT COA	CERTIFIABLE	Items to be included on all certificates of analysis, with or before every delivery	Every Batch/Delivery as agreed

CONTROL	CHARACTERISTICS	Not required on certificate of analysis; to be checked on receipt.	At an agreed frequency
	NON-CERTIFIABLE	Items to be confirmed as a condition of technical approval & thereafter measured at an agreed frequency. Results to be reported to P&G if requested &/or if results are obtained which are outside the specified limit(s)	
REFERENCE	NON-REPORTABLE	Reference items which must comply but are not required to be reported	Never

Unless otherwise stated in the RMS, the specification targets &/or limits are based on single results (i.e. no averaging) and must be reported as such.

Where it is necessary to use composited samples to ensure representative results, the sampling plan must be agreed with P&G and the specification limits will reflect this.

When average results are reported, release criteria will be based on statistical analysis and quoted on the RMS & COA.

Suppliers must not use a method other than that defined on this RMS without agreement from the P&G Material & Process Optimization group. Agreement will be based on the supplier being able to demonstrate equivalence, this agreement will be documented in the supplier agreement letter.

In the event of differences between Supplier and P&G data, the decision to accept or reject will be based on the reference method shown on this RMS.

Originator: Ian Addy  
Document code 95491697

Location: NTC

\*\*\*\* DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.  
CSS APPROVED Effective Date 20Jun2006 GMT - Printed 10Mar2008 Page 1 of 1

“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

NOBS SAMPLING (2)

Page 1 of 2

**EXHIBIT 1**

**Hess, Gary**

---

**From:** Deshpande, Vilas \*\*\*  
**Sent:** Wednesday, April 30, 2008 7:30 PM  
**To:** Hess, Gary  
**Subject:** **FW: NOBS SAMPLING (2)**

Gary,

Good news, here is the concurrence from Rick re. the NOBS sampling plan you shared earlier this month.

We are good to proceed with signing the contract however if you give me a few more days, I would like to (finally) get the names of the P&G signatories added to the contract text, so they have to just sign and date.

Let me know if this will work for you. I will be connecting to e-mail periodically over the first week that I am out so we can still keep in touch until you send your signed contract copies to Nelson's attention.

Regards,

... Vilas

---

**From:** Rust, Rick  
**Sent:** Wednesday, April 30, 2008 10:07 AM  
**To:** Deshpande, Vilas  
**Subject:** RE: NOBS SAMPLING (2)

Vilas,  
\*\*\*

I concur with the testing protocol as used by Future Fuels.

**Rick Rust \*\*\***

---

**From:** Deshpande, Vilas  
**Sent:** Wednesday, April 16, 2008 4:09 PM  
**To:** Rust, Rick  
**Cc:** Grosse, Bob; Teixeira, Ted  
**Subject:** FW: NOBS SAMPLING (2)

Rick,

Can you please review the attached NOBS sampling procedure historically used by FutureFuel/Eastman and let

“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

5/9/2008

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\*\*\*\*\* DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

NOBS SAMPLING (2)

Page 2 of 2

**EXHIBIT 1**

me know if this meets the intent of the directions we provide in the RMS boilerplate which is now part of the new commercial contract:

Regards,

... Vilas

---

**From:** Hess, Gary \*\*\*  
**Sent:** Wednesday, April 16, 2008 3:34 PM  
**To:** Deshpande, Vilas  
**Subject:** NOBS SAMPLING (2)

<<NOBS SAMPLING (2).doc>>

Vilas, this is the sampling procedure that we have been using since 2003. Carolyn Defries our QC manager and Brent are confident that we have discussed this with P&G but we cannot find a confirmative acceptance or letter of agreement from you. The good news is that the process has worked well and we are confident based on years of history that it accurately reflects the quality of product which we ship. As long as you are okay with this the RMS stipulates that we can sample in another fashion as long as we have agreement with you. As we discussed, I did not want to sign something that was not reflective of what we are doing. Please let me know, if you need anything additional from me and how you want to proceed. I believe that this is the last loose end for the contract. I am in Batesville this week at \*\*\*. Take care.

Gary

\*\* This message, including attachments, is from FutureFuel Chemical Company. This message contains information that may be confidential and/or contain proprietary information. If you are not the intended recipient, promptly deleted this message and notify the sender of the delivery error by return e-mail or call us at 870-698-3000. You may not forward, print, copy, distribute, or use the information in this message if you are not the intended recipient.

\*\*\*\*\* DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

5/9/2008

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“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

Exhibit 2

DESCRIPTION OF NOBS QUARTERLY PRICE CALCULATION

Section	Item	Description
Raw Material	***	***
	***	***
	***	***
Labor	***	***
	***	***
	***	***
	***	***
Energy	***	***
	***	***
	***	***
	***	***
Conversion	***	***
	***	***
***	***	***
	***	***
	***	***
***	***	***
***	***	***
***	***	***

DESCRIPTION OF NOBS QUARTERLY VOLUME RECONCILIATION

Item	Description
***	***
***	***
***	***
***	***
***	***
***	***

“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.



“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

Exhibit 2

NOBS QUARTERLY PRICE CALCULATION

		For Illustration Purposes Only Q2 2008	
<b>RAW MATERIALS</b>			
	Usage Factor	Average Price	\$ Impact
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
***	***	***	***
<b>LABOR</b>			
Beginning Value	Multiplier	Index Value	\$ Impact
***	***	***	***
<b>ENERGY</b>			
Beginning Value	Multiplier	Index Value	\$ Impact
***	***	***	***
<b>CONVERSION</b>			
		Projected Volume	\$ Impact
		***	***
<b>EX-WORKS PRICE PER LB, 100% ACTIVE BASIS</b>			
		Price per lb	
		***	
<b>EX-WORKS PRICE PER KG, CONVERTED TO 81% ACTIVE STOCK SHIPMENTS</b>			
		Price per kg	
Railcar		***	
Supersacks (includes supersacking fee of *** per kg)		***	
Drums (includes drumming fee of *** per kg)		***	

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**Exhibit 2**

**NOBS QUARTERLY VOLUME RECONCILIATION**

	<b>For Illustration Purposes Only</b>	
	<b>Q1 2008</b>	<b>Q2 2008</b>
<b>Projected Volume</b>	***	***
<b>Conversion \$ Impact</b>	***	***
<b>Actual Volume</b>	***	
<b>Recalculated \$ Impact</b>	***	
<b>Difference</b>	***	
<b>Reconciliation Value</b>	***	

“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.



“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

**EXHIBIT 3**

**Nonanoic Acid Specification  
(Pelargonic Acid)**

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“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

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“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

#### **EXHIBIT 4**

##### PRICE RECONCILIATION PROCEDURES

1. The PRICE of GOODS will be determined via a quarterly teleconference or personal meeting between BUYER and SELLER, at least two (2) working days prior to end of the current calendar quarter, or otherwise as agreed by the PARTIES.
2. Since the PRICE calculated ahead of each calendar quarter is dependent on BUYER's forecasted volume, BUYER and SELLER shall re-calculate the PRICE at the end of the said quarter based on actual quantity of GOODS (on 100% active basis) shipped to BUYER.
3. BUYER and SELLER will calculate the credit or debit transaction needed between the PARTIES to settle the difference between invoice payments for said quarter made on the basis of the forecasted PRICE and the PRICE based on actual quantity shipped as defined in Exhibit 2, Pages 1 and 4.
4. BUYER and SELLER agree that any errors found to have been made for any PRICE calculations during the TERM of this AGREEMENT will be resolved as promptly as possible.

“\*\*\*” DENOTES INFORMATION OMITTED PURSUANT TO REQUEST FOR CONFIDENTIAL TREATMENT.

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**Exhibit 31(a)**  
**Certification**

I, Lee E. Mikles, the chief executive officer of FutureFuel Corp. (“*registrant*”), certify that:

1. I have reviewed this report on Form 10-Q of the registrant.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [reserved]
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially effect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2008

/s/ Lee E. Mikles  
Lee E. Mikles  
President and Chief Executive Officer

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**Exhibit 31(b)**  
**Certification**

I, Douglas D. Hommert, the principal financial officer of FutureFuel Corp. (“*registrant*”), certify that:

1. I have reviewed this report on Form 10-Q of the registrant.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and the other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report.
4. The registrant’s other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [reserved]
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially effect, the registrant’s internal control over financial reporting.
5. The registrant’s other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors:
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 14, 2008

/s/ Douglas D. Hommert  
Douglas D. Hommert  
Principal Financial Officer, Executive Vice President,  
Secretary and Treasurer

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**Exhibit 32**  
**Certification**  
**Pursuant to 18 U.S.C. §1350,**  
**As Adopted Pursuant to**  
**§906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of Future Fuel Corp. (the "*Company*") on Form 10-Q for the period ending June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "*Report*"), the undersigned hereby certify pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of §13(a) of the Securities Exchange Act of 1934, as amended.
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lee E. Mikles  
Lee E. Mikles,  
President and Chief Executive Officer

/s/ Douglas D. Hommert  
Douglas D. Hommert, Principal Financial Officer,  
Executive Vice President, Secretary and Treasurer

August 14, 2008